# Yulon Nissan Motor Company, Ltd. and Subsidiaries

## Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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# INDEPENDENT AUDITORS' REVIEW REPORT

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

## Introduction

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 September 30, 2018 and 2017 and the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months then ended, and related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Wan-Yi Liao and Cheng-Chuan Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2018

<u>*Notice to Readers*</u>

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars, Except Par Value)**

| | September 30, 2018 (Reviewed) | | December 31, 2017 (Audited) | | September 30, 2017 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 7,046,004 | 29 | $ 6,822,021 | 26 | $ 7,383,362 | 31 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 114,859 | 1 | 874,052 | 3 | 162,959 | 1 |
| Notes receivable - related parties (Notes 4, 20 and 28) | 9,521 | - | 1,612 | - | - | - |
| Trade receivables (Notes 4, 8 and 20) | 51,814 | - | 39,135 | - | 47,026 | - |
| Trade receivables - related parties (Notes 4, 20 and 28) | 585,690 | 2 | 897,956 | 4 | 397,970 | 2 |
| Other receivables (Notes 4 and 8) | 13,143 | - | 125,753 | 1 | 36,556 | - |
| Inventories (Notes 4 and 9) | - | - | - | - | 2,350 | - |
| Prepayments (Notes 11 and 28) | 609,380 | 3 | 23,184 | - | 576,141 | 2 |
| Total current assets | 8,430,411 | 35 | 8,783,713 | 34 | 8,606,364 | 36 |
| NON-CURRENT ASSETS | | | | | | |
| Investments accounted for using equity method (Notes 4 and 11) | 13,912,622 | 57 | 15,251,359 | 59 | 13,543,002 | 56 |
| Property, plant and equipment (Notes 4, 5, 12 and 28) | 1,582,231 | 7 | 1,479,225 | 6 | 1,426,258 | 6 |
| Computer software (Notes 4 and 13) | 20,805 | - | 20,882 | - | 17,919 | - |
| Deferred tax assets (Note 4) | 129,362 | - | 127,060 | 1 | 130,186 | - |
| Other non-current assets (Notes 14 and 28) | 137,126 | 1 | 114,548 | - | 388,666 | 2 |
| Total non-current assets | 15,782,146 | 65 | 16,993,074 | 66 | 15,506,031 | 64 |
| TOTAL | $ 24,212,557 | 100 | $ 25,776,787 | 100 | $ 24,112,395 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Contract liabilities (Notes 20 and 28) | $ 55,891 | - | $ - | - | $ - | - |
| Trade payables | 56,704 | - | 55,385 | - | 33,822 | - |
| Trade payables - related parties (Note 28) | 912,791 | 4 | 875,464 | 3 | 668,209 | 3 |
| Other payables (Note 15) | 1,060,643 | 5 | 913,372 | 4 | 998,619 | 4 |
| Current tax liabilities (Note 4) | 31,037 | - | 442,943 | 2 | 44,154 | - |
| Provisions (Notes 4, 5 and 16) | 197,947 | 1 | 192,278 | 1 | 189,029 | 1 |
| Other current liabilities (Notes 17 and 28) | 6,313 | - | 66,184 | - | 45,108 | - |
| Total current liabilities | 2,321,326 | 10 | 2,545,626 | 10 | 1,978,941 | 8 |
| NON-CURRENT LIABILITIES | | | | | | |
| Contract liabilities (Notes 20 and 28) | 27,810 | - | - | - | - | - |
| Provisions (Notes 4, 5 and 16) | 64,953 | - | 62,931 | - | 59,613 | - |
| Credit balance of investments accounted for using equity method (Notes 4 and 11) | - | - | 6,146 | - | 8,411 | - |
| Net defined benefit liabilities (Note 4) | 357,170 | 2 | 392,625 | 2 | 405,637 | 2 |
| Deferred tax liabilities (Note 4) | 2,703,698 | 11 | 1,511,815 | 6 | 2,079,813 | 9 |
| Other non-current liabilities (Notes 17 and 28) | - | - | 63,020 | - | 33,283 | - |
| Total non-current liabilities | 3,153,631 | 13 | 2,036,537 | 8 | 2,586,757 | 11 |
| Total liabilities | 5,474,957 | 23 | 4,582,163 | 18 | 4,565,698 | 19 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | |
| Capital stock - NT$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks | 3,000,000 | 13 | 3,000,000 | 12 | 3,000,000 | 12 |
| Capital surplus | 6,129,405 | 25 | 6,129,405 | 24 | 6,129,405 | 25 |
| Retained earnings | | | | | | |
| Legal reserve | 4,884,164 | 20 | 4,519,914 | 17 | 4,519,914 | 19 |
| Special reserve | 1,163,895 | 5 | 788,877 | 3 | 788,877 | 3 |
| Unappropriated earnings | 4,455,575 | 18 | 7,131,446 | 28 | 5,441,607 | 23 |
| Total retained earnings | 10,503,634 | 43 | 12,440,237 | 48 | 10,750,398 | 45 |
| Other equity | (895,439) | (4) | (375,018) | (2) | (333,106) | (1) |
| Total equity | 18,737,600 | 77 | 21,194,624 | 82 | 19,546,697 | 81 |
| TOTAL | $ 24,212,557 | 100 | $ 25,776,787 | 100 | $ 24,112,395 | 100 |

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

(With Deloitte & Touche review report dated November 12, 2018)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 20 and 28) | | | | | | | | |
| Sales (Note 4) | $ 6,454,249 | 100 | $ 7,868,440 | 100 | $ 22,818,196 | 100 | $ 26,531,946 | 100 |
| Service revenue (Note 4) | 13,890 | - | 10,161 | - | 49,989 | - | 21,390 | - |
| Other operating revenue | 22,557 | - | 26,316 | - | 63,525 | - | 69,843 | - |
| Total operating revenue | 6,490,696 | 100 | 7,904,917 | 100 | 22,931,710 | 100 | 26,623,179 | 100 |
| OPERATING COSTS | | | | | | | | |
| Cost of goods sold (Notes 9, 21 and 28) | 5,397,505 | 83 | 6,377,342 | 81 | 18,716,537 | 82 | 21,770,898 | 82 |
| GROSS PROFIT | 1,093,191 | 17 | 1,527,575 | 19 | 4,215,173 | 18 | 4,852,281 | 18 |
| OPERATING EXPENSES (Notes 21 and 28) | | | | | | | | |
| Selling and marketing expenses | 593,607 | 9 | 817,792 | 10 | 2,337,095 | 10 | 2,320,419 | 8 |
| General and administrative expenses | 93,243 | 2 | 82,207 | 1 | 291,884 | 1 | 263,072 | 1 |
| Research and development expenses | 191,121 | 3 | 160,042 | 2 | 526,599 | 2 | 457,055 | 2 |
| Total operating expenses | 877,971 | 14 | 1,060,041 | 13 | 3,155,578 | 13 | 3,040,546 | 11 |
| OTHER INCOME AND EXPENSES (Note 21) | - | - | 43 | - | - | - | 104 | - |
| PROFIT FROM OPERATIONS | 215,220 | 3 | 467,577 | 6 | 1,059,595 | 5 | 1,811,839 | 7 |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Share of profit of associates | 1,547,553 | 24 | 1,452,077 | 18 | 4,655,796 | 20 | 4,344,521 | 16 |
| Interest income (Note 4) | 11,955 | - | 36,805 | 1 | 39,026 | - | 170,913 | 1 |
| Gain (loss) on financial assets at fair value through profit or loss, net | (3,147) | - | (9,441) | - | 4,856 | - | 2,959 | - |
| Other revenue (Note 28) | 456 | - | 395 | - | 3,956 | - | 1,368 | - |
| Gain on disposal of investment, net (Note 21) | 6,502 | - | 12,604 | - | 2,450 | - | 3,944 | - |
| Foreign exchange gain (loss), net (Note 21) | (19,615) | - | 81,173 | 1 | 781 | - | (333,172) | (1) |
| Interest expenses (Note 28) | (233) | - | (253) | - | (710) | - | (10,897) | - |
| Other losses (Note 28) | (170) | - | (194) | - | (1,914) | - | (2,395) | - |
| Overseas business expenses (Note 28) | (2,488) | - | (2,301) | - | (7,244) | - | (8,782) | - |
| Total non-operating income and expenses | 1,540,813 | 24 | 1,570,865 | 20 | 4,696,997 | 20 | 4,168,459 | 16 |
| PROFIT BEFORE TAX | 1,756,033 | 27 | 2,038,442 | 26 | 5,756,592 | 25 | 5,980,298 | 23 |
| INCOME TAX EXPENSES (Notes 4 and 22) | 351,250 | 5 | 346,619 | 5 | 1,400,287 | 6 | 1,016,257 | 4 |
| NET PROFIT FOR THE PERIOD | 1,404,783 | 22 | 1,691,823 | 21 | 4,356,305 | 19 | 4,964,041 | 19 |

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Share of the other comprehensive income of associates accounted for using equity method (Note 11) | $ - | - | $ 21 | - | $ (22) | - | $ 43 | - |
| Remeasurement of defined benefit plans | (586) | - | (483) | - | 4,977 | - | (921) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22) | 118 | - | 78 | - | 2,137 | - | 149 | - |
| | (468) | - | (384) | - | 7,092 | - | (729) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translating foreign operations | (678,065) | (11) | 160,218 | 2 | (520,421) | (2) | (370,958) | (2) |
| Other comprehensive income for the period, net of income tax | (678,533) | (11) | 159,834 | 2 | (513,329) | (2) | (371,687) | (2) |
| TOTAL COMPREHENSIVE INCOME | $ 726,250 | 11 | $ 1,851,657 | 23 | $ 3,842,976 | 17 | $ 4,592,354 | 17 |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owner of the Company | $ 1,404,783 | 22 | $ 1,691,823 | 21 | $ 4,356,305 | 19 | $ 4,964,041 | 19 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owner of the Company | $ 726,250 | 11 | $ 1,851,657 | 23 | $ 3,842,976 | 17 | $ 4,592,354 | 17 |
| EARNINGS PER SHARE (Note 23) | | | | | | | | |
| Basic | $ 4.68 | | $ 5.64 | | $ 14.52 | | $ 16.55 | |
| Diluted | $ 4.68 | | $ 5.64 | | $ 14.52 | | $ 16.55 | |

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

(With Deloitte & Touche review report dated November 12, 2018) (Concluded)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

| | | | Retained Earnings (Note 19) | | | Other Equity | |
|---|---|---|---|---|---|---|---|
| | Capital Stock | Capital Surplus (Note 19) | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Total Equity |
| BALANCE, JANUARY 1, 2017 | $ 3,000,000 | $ 6,129,405 | $ 4,056,853 | $ 788,877 | $ 7,541,356 | $ 37,852 | $ 21,554,343 |
| Appropriation of 2016 earnings | | | | | | | |
| Legal reserve | - | - | 463,061 | - | (463,061) | - | - |
| Cash dividend distributed by the Company - $22 per share | - | - | - | - | (6,600,000) | - | (6,600,000) |
| | - | - | 463,061 | - | (7,063,061) | - | (6,600,000) |
| Net profit for the nine months ended September 30, 2017 | - | - | - | - | 4,964,041 | - | 4,964,041 |
| Other comprehensive income for the nine months ended September 30, 2017, net of income tax | - | - | - | - | (729) | (370,958) | (371,687) |
| Total comprehensive income for the nine months ended September 30, 2017 | - | - | - | - | 4,963,312 | (370,958) | 4,592,354 |
| BALANCE, SEPTEMBER 30, 2017 | $ 3,000,000 | $ 6,129,405 | $ 4,519,914 | $ 788,877 | $ 5,441,607 | $ (333,106) | $ 19,546,697 |
| BALANCE, JANUARY 1, 2018 | $ 3,000,000 | $ 6,129,405 | $ 4,519,914 | $ 788,877 | $ 7,131,446 | $ (375,018) | $ 21,194,624 |
| Appropriation of 2017 | | | | | | | |
| Legal reserve | - | - | 664,250 | - | (664,250) | - | - |
| Special reserve | - | - | - | 375,018 | (375,018) | - | - |
| Cash dividend distributed by the Company - $21 per share | - | - | (300,000) | - | (6,000,000) | - | (6,300,000) |
| | - | - | 364,250 | 375,018 | (7,039,268) | - | (6,300,000) |
| Net profit for the nine months ended September 30, 2018 | - | - | - | - | 4,356,305 | - | 4,356,305 |
| Other comprehensive income for the nine months ended September 30, 2018, net of income tax | - | - | - | - | 7,092 | (520,421) | (513,329) |
| Total comprehensive income for the nine months ended September 30, 2018 | - | - | - | - | 4,363,397 | (520,421) | 3,842,976 |
| BALANCE, SEPTEMBER 30, 2018 | $ 3,000,000 | $ 6,129,405 | $ 4,884,164 | $ 1,163,895 | $ 4,455,575 | $ (895,439) | $ 18,737,600 |

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

(With Deloitte & Touche review report dated November 12, 2018)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 5,756,592 | $ 5,980,298 |
| Adjustments for: | | |
| Depreciation expenses | 304,680 | 377,509 |
| Amortization expenses | 5,580 | 3,926 |
| Gain on financial assets at fair value through profit or loss, net | (4,856) | (2,959) |
| Interest expense | 710 | 10,897 |
| Interest income | (39,026) | (170,913) |
| Share of profit of associates | (4,655,796) | (4,344,521) |
| Gain on disposal of property, plant and equipment, net | - | (104) |
| Gain on disposal of investment, net | (2,450) | (3,944) |
| Unrealized foreign exchange loss (gain), net | (18,692) | 48,831 |
| Net changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | 766,499 | 2,119,047 |
| Notes receivable - related parties | (7,909) | 4,174 |
| Trade receivables | (12,589) | (6,494) |
| Trade receivables - related parties | 312,327 | 140,435 |
| Other receivables | 111,761 | 26,226 |
| Inventories | - | 159 |
| Prepayments | (37,141) | (48,752) |
| Contract liabilities | (38,371) | - |
| Notes payables - related parties | - | (1,536) |
| Trade payables | 1,319 | (145) |
| Trade payables - related parties | 47,809 | (248,931) |
| Other payables | 147,271 | 113,572 |
| Other current liabilities | (819) | 17,378 |
| Provisions | 7,691 | (12,781) |
| Other non-current liabilities | - | (6,657) |
| Net defined benefit liabilities | (30,478) | (36,293) |
| Cash generated from operations | 2,614,112 | 3,958,422 |
| Interest paid | (710) | (12,091) |
| Income tax paid | (1,169,530) | (1,173,056) |
| Net cash generated from operating activities | 1,443,872 | 2,773,275 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for property, plant and equipment (Note 24) | (443,709) | (269,280) |
| Proceeds from disposal of property, plant and equipment | 8 | 3,948 |
| Payments for computer software | (5,503) | (7,143) |
| Decrease in refundable deposits | 2,955 | 483 |

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# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2018 | 2017 |
| Interest received | $ 39,875 | $ 165,753 |
| Dividends received | 5,466,869 | 5,168,975 |
| Net cash generated from investing activities | 5,060,495 | 5,062,736 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | - | (3,630,000) |
| Payments of dividends | (6,300,000) | (6,600,000) |
| Cash used in financing activities | (6,300,000) | (10,230,000) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 19,616 | (132,403) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 223,983 | (2,526,392) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 6,822,021 | 9,909,754 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 7,046,004 | $ 7,383,362 |

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

(With Deloitte & Touche review report dated November 12, 2018) (Concluded)

## 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 focused on the research and development of vehicles and the sale of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. ("Yulon") transferred its sales and research and development businesses to the Company in October 2003 through a spin-off. The Company's spin-off from Yulon intended to increase Yulon's competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003.

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on November 12, 2018.

## 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) (collectively, the "IFRSs") 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:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

| Financial Assets | Measurement Category IAS 39 | Measurement Category IFRS 9 | Carrying Amount IAS 39 | Carrying Amount IFRS 9 | Remark |
|---|---|---|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost | $ 6,822,021 | $ 6,822,021 | |
| Mutual funds | Held for trading | Mandatorily at FVTPL | 874,052 | 874,052 | |
| Notes receivable, trade receivables and other receivables | Loans and receivables | Amortized cost/mandatorily at FVTPL | 1,064,456 | 1,064,456 | a), b) |

| Financial Assets | IAS 39 Carrying Amount as of January 1, 2018 | Reclassification | Remeasurement | IFRS 9 Carrying Amount as of January 1, 2018 | Retained Earnings Effect on January 1, 2018 | Other Equity Effect on January 1, 2018 | Remark |
|---|---|---|---|---|---|---|---|
| FVTPL | $ 874,052 | | | | | | |
| Add: Reclassification from loans and receivables (IAS 39) | | | | | | | |
| Required reclassification | - | $ 35,165 | $ - | | | | a) |
| | 874,052 | 35,165 | - | $ 909,217 | $ - | $ - | |
| Amortized cost | | | | | | | |
| Add: From loans and receivables (IAS 39) | - | 7,851,312 | - | | | | b) |
| | - | 7,851,312 | - | 7,851,312 | - | - | |
| | $ 874,052 | $ 7,886,477 | $ - | $ 8,760,529 | $ - | $ - | |

a) Trade receivables that were previously classified as loans and receivables under IAS 39 were classified as at FVTPL under IFRS 9 because the objective of the Group's business model is achieved by selling financial assets.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, a receivable was recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

If the contract is non-cancellable, the Group will recognize a receivable and a contract liability when it has an unconditional right to consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in the retained earnings as of January 1, 2018.

Impact on liabilities for current period

| | As Originally Stated | Adjustments Arising from Initial Application | Restated |
|---|---|---|---|
| Contract liabilities - current | $ - | $ 59,052 | $ 59,052 |
| Other current liabilities | 66,184 | (59,052) | 7,132 |
| Contract liabilities - non-current | - | 63,020 | 63,020 |
| Other non-current liabilities | 63,020 | (63,020) | - |
| Total effect on liabilities | $ 129,204 | $ - | $ 129,204 |

| | September 30, 2018 |
|---|---|
| Increase in contract liabilities - current | $ 55,891 |
| Increase in contract liabilities - non-current | 27,810 |
| Decrease in other current liabilities | (55,891) |
| Decrease in other non-current liabilities | (27,810) |
| | $ - |

b. 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) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019

| New, Amended or Revised Standards and Interpretations (the "New IFRSs") | Effective Date Announced by IASB (Note 1) |
|---|---|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 "Prepayment Features with Negative Compensation" | January 1, 2019 (Note 2) |
| IFRS 16 "Leases" | January 1, 2019 |
| Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" | January 1, 2019 (Note 3) |
| Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" | January 1, 2019 |
| IFRIC 23 "Uncertainty over Income Tax Treatments" | January 1, 2019 |

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain a lease, only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

c) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

d) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

e) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 3 "Definition of a Business" | January 1, 2020 (Note 2) |
| 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 17 "Insurance Contracts" | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect 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 consolidated financial statements.

### Basis of Preparation

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

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

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

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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 an 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 detailed information on subsidiaries (including percentages of ownership and main businesses).

**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 (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

The foreign currency financial statements of foreign associates accounted for using the 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. Any arising exchange differences are recognized in other comprehensive income.

**Inventories**

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

**Investment in Associates**

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

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

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

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

**Property, Plant and Equipment**

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

The Group depreciates molds and dies on the basis of the estimated units sold. Other property, plant and equipment are depreciated by using the straight-line method. The estimated sales volume, useful lives, residual values and depreciation methods of an asset are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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. The amortization is recognized on a straight-line basis over 3 years. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 an acquisition or issuance 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

<u>2018</u>

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such financial assets. Fair value is determined in the manner described in Note 27.

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

2017

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 dividends or interest (including dividends or interest received in the investment year) earned on such financial assets. 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 using the effective interest method at amortized cost 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

2018

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

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

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

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

2017

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 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 at amortized cost, the amount of the impairment loss recognized is the difference between such an 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 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 a 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 commitments

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

b. Warranties

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

**Revenue Recognition**

2018

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

a. Revenue from sale of goods

Revenue from the sale of goods comes from sales of vehicles and parts. Revenue from the sale of goods is recognized when the goods are delivered and the title has passed.

b. Revenue from rendering of services

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

2017

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 the title has 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 a 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 Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income in full in the period in which the change in tax rate occurs.

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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred tax for the year

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

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

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

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

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

a. Property, plant and equipment - molds and dies

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

b. Provisions for the expected cost of warranties

The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and the estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of September 30, 2018, December 31, 2017 and September 30, 2017, the carrying amounts of provisions for warranties were $161,697 thousand, $151,484 thousand and $139,294 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Cash on hand | $ - | $ - | $ 20 |
| Checking accounts and demand deposits | 763,324 | 1,001,974 | 927,034 |
| Foreign currency demand deposits | 418,108 | 2,174,847 | 693,274 |
| Cash equivalents | | | |
| Foreign currency time deposits | 5,602,583 | 3,027,090 | 5,258,555 |
| Time deposits | 6,900 | 6,900 | 6,900 |
| Repurchase agreements collateralized by bonds | 255,089 | 611,210 | 497,579 |
| | $ 7,046,004 | $ 6,822,021 | $ 7,383,362 |

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:

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Demand deposits and time deposits | 0.001%-3.85% | 0.001%-4.10% | 0.001%-3.72% |
| Repurchase agreements collateralized by bonds | 2.40% | 1.85%-2.00% | 1.85% |

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

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| Mutual funds | $ 114,859 | $ - | $ - |
| Financial assets held for trading | | | |
| Non-derivative financial assets | | | |
| Mutual funds | - | 874,052 | 162,959 |
| | $ 114,859 | $ 874,052 | $ 162,959 |

## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Trade receivables | | | |
| At amortized cost | $ 51,814 | $ 39,135 | $ 47,026 |
| Other receivables | | | |
| Interest receivables | $ 3,969 | $ 4,818 | $ 23,608 |
| Disposal of investment receivables | - | 98,000 | - |
| Others | 9,174 | 22,935 | 12,948 |
| | $ 13,143 | $ 125,753 | $ 36,556 |

a. Trade receivables

For the nine months ended September 30, 2018

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

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The provision for losses based on the past due status of receivables is further distinguished by domestic customers and foreign customers. Nevertheless, the Group did not recognized an expected losses provision for trade receivables due to the estimation performed by the Group at the end of the reporting period, which shows that there was not a significant change in the credit quality of the receivables and the amounts were still considered recoverable.

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

| | September 30, 2018 |
|---|---|
| 0-60 days | $ 51,814 |

For the nine months ended September 30, 2017

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:

| | December 31, 2018 | September 30, 2017 |
|---|---|---|
| 0-60 days | $ 39,135 | $ 46,078 |
| 61-90 days | - | 891 |
| 91-120 days | - | 57 |
| | $ 39,135 | $ 47,026 |

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

| | December 31, 2018 | September 30, 2017 |
|---|---|---|
| 1-60 days | $ 3,088 | $ 7,838 |
| 61-90 days | - | 57 |
| | $ 3,088 | $ 7,895 |

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.

## 9. INVENTORIES

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Vehicles | $ - | $ - | $ - |
| Parts | - | - | 2,350 |
| | $ - | $ - | $ 2,350 |

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2018 was $5,397,505 thousand, which included warranty costs of $36,436 thousand and reversal of losses on inventory purchase commitments of $2,446 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2018 was $18,716,537 thousand, which included warranty costs of $130,541 thousand and reversal of losses on inventory purchase commitments of $2,522 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2017 was $6,377,342 thousand, which included warranty cost of $42,470 thousand and reversal of loss on inventory purchase commitment of $8,170 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2017 was $21,770,898 thousand, which included warranty cost of $111,694 thousand and reversal of loss on inventory purchase commitment of $15,344 thousand.

## 10. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

| | | | % of Ownership | | |
|---|---|---|---|---|---|
| **Investor** | **Investee** | **Main Business** | **September 30, 2018** | **December 31, 2017** | **September 30, 2017** |
| 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

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Material associate | | | |
| Guangzhou Aeolus Automobile Co., Ltd. | $ 10,603,341 | $ 12,375,179 | $ 10,838,664 |
| Associates that are not individually material | | | |
| Aeolus Xiangyang Automobile Co., Ltd. | 1,836,076 | 1,426,870 | 1,289,912 |
| Shenzhen Lan You Technology Co., Ltd. | 749,212 | 719,927 | 683,418 |
| Aeolus Automobile Co., Ltd. | 723,781 | 729,383 | 731,008 |
| Dong Feng Yulon Used Cars Co., Ltd. | 212 | (6,146) | (8,411) |
| | 3,309,281 | 2,870,034 | 2,695,927 |
| Add: Credit balance of investments accounted for using equity method | - | 6,146 | 8,411 |
| | 3,309,281 | 2,876,180 | 2,704,338 |
| | $ 13,912,622 | $ 15,251,359 | $ 13,543,002 |

a. Material associate

| | | | Proportion of Ownership and Voting Rights | | |
|---|---|---|---|---|---|
| **Company Name** | **Main Business** | **Location** | **September 30, 2018** | **December 31, 2017** | **September 30, 2017** |
| 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.

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Current assets | $ 4,399,616 | $ 9,860,622 | $ 6,933,086 |
| Non-current assets | 32,959,285 | 34,726,040 | 33,279,492 |
| Current liabilities | (7,019,209) | (9,729,550) | (12,156,847) |
| Non-current liabilities | (3,831,340) | (3,919,165) | (959,070) |
| Equity | $ 26,508,352 | $ 30,937,947 | $ 27,096,661 |
| Equity attributable to the Group | $ 10,603,341 | $ 12,375,179 | $ 10,838,664 |
| Carrying amount | $ 10,603,341 | $ 12,375,179 | $ 10,838,664 |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | $ 7,954,465 | $ 8,214,359 | $ 24,436,257 | $ 22,552,553 |
| Net profit for the period | $ 3,191,295 | $ 3,289,756 | $ 10,315,044 | $ 9,925,302 |
| Dividends received from Guangzhou Aeolus Automobile Co., Ltd. | $ 5,466,869 | $ 4,262,688 | $ 5,466,869 | $ 4,262,688 |

As of September, 30, 2018, the amount of remitted withholding tax, paid by dividends received from investee companies in mainland China is $552,170 thousand, recognized as prepayments.

b. Aggregate information of associates that are not individually material

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| The Group's share of: | | | | |
| Net profit for the period | $ 271,035 | $ 136,174 | $ 529,778 | $ 374,400 |
| Other comprehensive income | - | 21 | (22) | 43 |
| Total comprehensive income for the period | $ 271,035 | $ 136,195 | $ 529,756 | $ 374,443 |

c. Other information

The investments accounted for using equity method and the share of profit of those investments for the three months and the nine months ended September 30, 2018 and 2017 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 Improvements | Tools | Total |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 56,706 | 21,695 | 3,014 | 16,316 | 4,135 | - | - | - | 101,866 |
| Reclassification | - | - | 2,705 | - | - | - | - | - | 2,705 |
| Disposals | (1,050) | - | - | - | (4,070) | - | - | - | (5,120) |
| Balance at September 30, 2017 | $ 4,699,121 | $ 876,009 | $ 82,789 | $ 175,926 | $ 18,507 | $ 6,662 | $ 8,903 | $ 5,694 | $ 5,873,611 |
| 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 | (290,639) | (62,540) | (4,237) | (16,903) | (1,689) | (126) | (1,329) | (46) | (377,509) |
| Disposals | 1,050 | - | - | - | 226 | - | - | - | 1,276 |
| Balance at September 30, 2017 | $ (3,572,818) | $ (668,928) | $ (69,291) | $ (112,816) | $ (6,205) | $ (6,159) | $ (5,495) | $ (5,641) | $ (4,447,353) |
| Carrying value, net, September 30, 2017 | $ 1,126,303 | $ 207,081 | $ 13,498 | $ 63,110 | $ 12,302 | $ 503 | $ 3,408 | $ 53 | $ 1,426,258 |
| Cost | | | | | | | | | |
| Balance at January 1, 2018 | $ 4,824,833 | $ 900,435 | $ 82,583 | $ 177,639 | $ 19,022 | $ 6,662 | $ 4,393 | $ 5,694 | $ 6,021,261 |
| Additions | 333,124 | 61,993 | 2,016 | 10,561 | - | - | - | - | 407,694 |
| Disposals | (1,848,101) | (330,764) | (22) | - | - | - | - | - | (2,178,887) |
| Reclassification | (67) | - | - | 67 | - | - | - | - | - |
| Balance at September 30, 2018 | $ 3,309,789 | $ 631,664 | $ 84,577 | $ 188,267 | $ 19,022 | $ 6,662 | $ 4,393 | $ 5,694 | $ 4,250,068 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2018 | $ (3,655,330) | $ (683,481) | $ (64,142) | $ (118,239) | $ (6,869) | $ (6,201) | $ (2,123) | $ (5,651) | $ (4,542,036) |
| Depreciation expense | (241,675) | (40,893) | (5,063) | (14,111) | (2,035) | (127) | (659) | (27) | (304,680) |
| Disposals | 1,848,101 | 330,764 | 14 | - | - | - | - | - | 2,178,879 |
| Balance at September 30, 2018 | $ (2,048,904) | $ (393,700) | $ (69,191) | $ (132,350) | $ (8,904) | $ (6,328) | $ (2,782) | $ (5,678) | $ (2,667,837) |
| Carrying amount, net, December 31, 2017 and January 1, 2018 | $ 1,169,503 | $ 216,954 | $ 18,441 | $ 59,400 | $ 12,153 | $ 461 | $ 2,270 | $ 43 | $ 1,479,225 |
| Carrying amount, net, September 30, 2018 | $ 1,260,885 | $ 237,964 | $ 15,386 | $ 55,917 | $ 10,118 | $ 334 | $ 1,611 | $ 16 | $ 1,582,231 |

There were no signs of impairment losses of assets for the nine months ended September 30, 2018 and 2017; therefore, the Group did not assess for impairment.

Except molds and dies which are depreciated on an estimated units-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 | 3 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 improvements | 5 years |
| Tools | 2 to 5 years |

## 13. COMPUTER SOFTWARE

| | Amount |
|---|---|
| Cost | |
| Balance, January 1, 2017 | $ 27,289 |
| Reclassification | (2,705) |
| Additions | 7,143 |
| Disposals | (5,752) |
| Balance, September 30, 2017 | $ 25,975 |
| Accumulated amortization | |
| Balance, January 1, 2017 | $ (9,882) |
| Amortization expenses | (3,926) |
| Disposals | 5,752 |
| Balance, September 30, 2017 | $ (8,056) |
| Carrying amounts at September 30, 2017 | $ 17,919 |
| Cost | |
| Balance, January 1, 2018 | $ 25,302 |
| Additions | 5,503 |
| Disposals | (1,767) |
| Balance, September 30, 2018 | $ 29,038 |
| Accumulated amortization | |
| Balance, January 1, 2018 | $ (4,420) |
| Amortization expenses | (5,580) |
| Disposals | 1,767 |
| Balance, September 30, 2018 | $ (8,233) |
| Carrying amounts December 31, 2017 and January 1, 2018 | $ 20,882 |
| Carrying amounts at September 30, 2018 | $ 20,805 |

There were no signs of impairment losses of assets for the nine months ended September 30, 2018 and 2017; therefore, the Group did not assess for impairment.

## 14. OTHER NON CURRENT ASSETS

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Refundable deposits (Note 28) | $ 95,620 | $ 98,575 | $ 375,624 |
| Prepayments for equipment | 41,506 | 15,973 | 13,042 |
| | $ 137,126 | $ 114,548 | $ 388,666 |

## 15. OTHER PAYABLES

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Advertising and promotion fees | $ 722,400 | $ 452,021 | $ 614,999 |
| Salaries and bonuses | 250,830 | 344,476 | 292,310 |
| Taxes | 14,276 | - | 8,337 |
| Others | 73,137 | 116,875 | 82,973 |
| | $ 1,060,643 | $ 913,372 | $ 998,619 |

## 16. PROVISIONS

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Current | | | |
| Inventory purchase commitments | $ 101,203 | $ 103,725 | $ 109,348 |
| Warranties | 96,744 | 88,553 | 79,681 |
| | $ 197,947 | $ 192,278 | $ 189,029 |
| Non-current | | | |
| Warranties | $ 64,953 | $ 62,931 | $ 59,613 |

| | Inventory Purchase Commitments | Warranties | Total |
|---|---|---|---|
| Balance at January 1, 2017 | $ 124,692 | $ 136,731 | $ 261,423 |
| Additional provisions recognized (reversed) | (15,344) | 111,694 | 96,350 |
| Paid | - | (109,131) | (109,131) |
| Balance at September 30, 2017 | $ 109,348 | $ 139,294 | $ 248,642 |
| Balance at January 1, 2018 | $ 103,725 | $ 151,484 | $ 255,209 |
| Additional provisions recognized (reversed) | (2,522) | 130,541 | 128,019 |
| Paid | - | (120,328) | (120,328) |
| Balance at September 30, 2018 | $ 101,203 | $ 161,697 | $ 262,900 |

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

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

## 17. OTHER LIABILITIES

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Current | | | |
| Receipts in advance (Note 28) | $ - | $ 59,052 | $ 35,416 |
| Withholding | 2,985 | 3,107 | 3,171 |
| Others | 3,328 | 4,025 | 6,521 |
| | $ 6,313 | $ 66,184 | $ 45,108 |
| Non-current | | | |
| Receipts in advance (Note 28) | $ - | $ 63,020 | $ 33,283 |

## 18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the three months ended September 30, 2018 and 2017, and the nine months ended September 30, 2018 and 2017 was $3,673 thousand, $3,622 thousand, $11,005 thousand and $10,793 thousand, respectively, and represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of September 30, 2018; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $2,435 thousand, $2,558 thousand, $7,306 thousand and $7,673 thousand for the three months ended September 30, 2018 and 2017, and the nine months ended September 30, 2018 and 2017 respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

## 19. EQUITY

a. Capital surplus

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Excess from spin-off | $ 5,986,507 | $ 5,986,507 | $ 5,986,507 |
| Generated from investments accounted for using equity method | 142,898 | 142,898 | 142,898 |
| | $ 6,129,405 | $ 6,129,405 | $ 6,129,405 |

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

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

b. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made 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 the distribution of employees' compensation after the amendment, refer to Note 21-e. on employees' compensation.

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.

The appropriations of earnings for 2017 and 2016 has been approved in the stockholders' meeting on June 21, 2018 and June 26, 2017 were as follows:

| | Appropriation of Earnings For the Year Ended December 31 | | Dividends Per Share (NT$) For the Year Ended December 31 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Legal reserve | $ 664,250 | $ 463,061 | | |
| Special reserve | 375,018 | - | | |
| Cash dividends | 6,000,000 | 6,600,000 | $20 | $22 |

The Company's shareholders also resolved to issue share cash dividends from legal reserve of $300,000 thousand, in the shareholders' meeting on June 21, 2018.

## 20. REVENUE

a. Contact balances

| | September 30, 2018 |
|---|---|
| Notes receivable - related parties (Note 28) | $ 9,521 |
| Trade receivables (Note 8) | $ 51,814 |
| Trade receivables - related parties (Note 28) | $ 449,898 |
| Contract liabilities | |
| Designing and performing R&D of cars (Note 28) | $ 53,136 |
| Others | 2,755 |
| Contract liabilities - current | 55,891 |
| Designing and performing R&D of cars (Note 28) | 27,810 |
| Contract liabilities - non-current | 27,810 |
| | $ 83,701 |

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

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

| | For the Nine Months Ended September 30, 2018 |
|---|---|
| From the beginning contract liability | |
| Designing and performing R&D of cars | $ 32,386 |

b. Disaggregation of revenue

Refer to Note 32 for information about disaggregation of revenue.

c. Partially completed contracts

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

| | September 30, 2018 |
|---|---|
| Designing and performing R&D of cars | |
| - in 2018 | $ 14,030 |
| - in 2019 | 50,553 |
| - in 2020 | 16,363 |
| | $ 80,946 |

The above information does not include contracts with expected duration equal to or less than one year.

## 21. NET PROFIT

a. Other operating income and expenses

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Gains on disposal of property, plant and equipment | $ - | $ 43 | $ - | $ 104 |

b. Depreciation and amortization

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Property, plant and equipment | $ 61,806 | $ 114,071 | $ 304,680 | $ 377,509 |
| Computer software | 2,010 | 1,405 | 5,580 | 3,926 |
| | $ 63,816 | $ 115,476 | $ 310,260 | $ 381,435 |
| An analysis of depreciation by function | | | | |
| Operating costs | $ 54,949 | $ 105,679 | $ 282,660 | $ 353,179 |
| Operating expenses | 6,857 | 8,392 | 22,020 | 24,330 |
| | $ 61,806 | $ 114,071 | $ 304,680 | $ 377,509 |
| An analysis of amortization by function | | | | |
| Operating expenses | $ 2,010 | $ 1,405 | $ 5,580 | $ 3,926 |

c. Technical cooperation agreement

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Operating costs | $ 100,964 | $ 121,802 | $ 385,872 | $ 416,439 |

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 benefits expense

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Post-employment benefits (Note 18) | | | | |
| Defined contribution plans | $ 3,673 | $ 3,622 | $ 11,005 | $ 10,793 |
| Defined benefit plans | 2,435 | 2,558 | 7,306 | 7,673 |
| | 6,108 | 6,180 | 18,311 | 18,466 |
| Labor and health insurance | 9,359 | 8,423 | 30,884 | 29,063 |
| Salary | 138,755 | 136,734 | 426,576 | 459,837 |
| Other employee benefit | 14,987 | 13,142 | 38,313 | 40,947 |
| | 163,101 | 158,299 | 495,773 | 529,847 |
| Total employee benefit expenses | $ 169,209 | $ 164,479 | $ 514,084 | $ 548,313 |
| An analysis of employee benefits expense by function | | | | |
| Operating cost | $ - | $ 98 | $ - | $ 409 |
| Operating expenses | $ 169,097 | $ 164,234 | $ 513,733 | $ 547,376 |
| Non-operating expenses | $ 112 | $ 147 | $ 351 | $ 528 |

e. Employees' compensation

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 September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017, were as follows:

Accrual rate

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2018 | 2017 |
| Employees' compensation | 0.10% | 0.10% |

Amount

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Employees' compensation | $ 1,476 | $ 1,686 | $ 5,454 | $ 5,986 |

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 2017 and 2016 having been resolved by the board of directors on March 26, 2018, and March 27, 2017, respectively, were as below.

| | For the Year Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| | Cash | Cash |
| Employees' compensation | $ 8,011 | $ 5,773 |

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, 2017 and 2016.

Information on the employees' compensation resolved by the Company's board of directors in 2018 and 2017 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 September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Foreign exchange gains | $ (22,131) | $ 93,455 | $ 123,341 | $ 175,593 |
| Foreign exchange losses | 2,516 | (12,282) | (122,560) | (508,765) |
| Net profit (loss) | $ (19,615) | $ 81,173 | $ 781 | $ (333,172) |

g. Gain or loss on disposal of investments, net

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Gain on disposal of investments | $ 13,412 | $ 12,604 | $ 13,412 | $ 14,047 |
| Loss on disposal of investments | (6,910) | - | (10,962) | (10,103) |
| Net loss | $ 6,502 | $ 12,604 | $ 2,450 | $ 3,944 |

## 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 September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current tax | | | | |
| In respect of current period | $ 35,130 | $ 57,555 | $ 207,965 | $ 255,235 |
| Adjustments for prior periods | - | - | 604 | (1,640) |
| Deferred tax | | | | |
| In respect of current period | 316,120 | 289,064 | 944,222 | 762,662 |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | - | 247,496 | - |
| Income tax expense recognized in profit or loss | $ 351,250 | $ 346,619 | $ 1,400,287 | $ 1,016,257 |

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

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

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Deferred tax | | | | |
| Effect of change in tax rate | $ - | $ - | $ 3,128 | $ - |
| In respect of current period | | | | |
| Share of other comprehensive income of associates | - | (3) | 4 | (7) |
| Remeasurement of defined benefit plan | 118 | 81 | (995) | 156 |
| Income tax expense recognized in other comprehensive income | $ 118 | $ 78 | $ 2,137 | $ 149 |

c. Income tax assessment

The Company's tax returns through 2016, except 2015, have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

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

### Net Profit for the Period

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings used in the computation of basic and diluted earnings per share | $ 1,404,783 | $ 1,691,823 | $ 4,356,305 | $ 4,964,041 |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Weighted-average number of common stock in computation of basic earnings per share | 300,000 | 300,000 | 300,000 | 300,000 |
| Effect of potential dilutive common stock: | | | | |
| Employees' compensation | 12 | 12 | 19 | 21 |
| Weighted average number of common stock used in the computation of diluted earnings per share | 300,012 | 300,012 | 300,019 | 300,021 |

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

## 24. NON-CASH TRANSACTIONS

For the nine months ended September 30, 2018 and 2017, the Group entered into the following non-cash investing activities:

| | For the Nine Months Ended September 30 | |
|---|---|---|
| | 2018 | 2017 |
| Investing activities affecting both cash and non-cash transactions | | |
| Increase in property, plant and equipment | $ 407,694 | $ 101,866 |
| Net changes of prepayment for equipment | 25,533 | 1,378 |
| Net changes of trade payables | 10,482 | 166,036 |
| Cash paid for acquisition of property, plant and equipment | $ 433,709 | $ 269,280 |

## 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:

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| No later than 1 year | $ 468 | $ 1,871 | $ 1,952 |
| Later than 1 year and not later than 3 years | - | - | 468 |
| | $ 468 | $ 1,871 | $ 2,420 |

## 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

September 30, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 114,859 | $ - | $ - | $ 114,859 |
| Trade receivables - related parties | - | - | 46,880 | 46,880 |
| | $ 114,859 | $ - | $ 46,880 | $ 161,739 |

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Non-derivative financial assets held for trading | $ 874,052 | $ - | $ - | $ 874,052 |

September 30, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Non-derivative financial assets held for trading | $ 162,959 | $ - | $ - | $ 162,959 |

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

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

c. Categories of financial instruments

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Financial assets | | | |
| Fair value through profit or loss | | | |
| Held for trading | $ - | $ 874,052 | $ 162,959 |
| Mandatorily at FVTPL | 161,739 | - | - |
| Loans and receivables (Note 1) | - | 7,886,477 | 7,864,914 |
| Financial assets at amortized cost (Note 2) | 7,659,292 | - | - |
| Financial liabilities | | | |
| Financial liabilities at amortized cost (Note 3) | 1,779,308 | 1,499,745 | 1,408,340 |

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 assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, part of trade receivables and other receivables.

Note 3: 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 financial assets at FVTPL, trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk 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 Renminbi, U.S. dollar and Japanese yen.

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

| | Renminbi | | U.S. Dollar | | Japanese Yen | |
|---|---|---|---|---|---|---|
| | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Gain (loss) | $ (280,328) | $ (290,351) | $ (32,694) | $ (57,202) | $ (1,550) | $ (2,762) |

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

b) Interest rate risk

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

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 5,860,739 | $ 3,643,271 | $ 5,760,292 |
| Financial liabilities | - | - | - |
| Cash flows interest rate risk | | | |
| Financial assets | 1,185,265 | 3,178,750 | 1,623,050 |
| Financial liabilities | - | - | - |

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2018 would increase/decrease by $2,222 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2017 would increase/decrease by $3,043 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

2) Credit risk

The Group's concentration of credit risk of 59%, 48% and 47% in total trade receivables as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively, were related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2018, December 31, 2017 and September 30, 2017, the available unutilized borrowings facilities were $5,700,000 thousand, $5,700,000 thousand and $5,700,000 thousand.

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

September 30, 2018

| | Within One Month | 1 to 3 Months | 3 Months to 1 Year |
|---|---|---|---|
| Non-derivative financial liabilities | | | |
| Non-interest bearing | $ 1,630,876 | $ 105,695 | $ 42,737 |

December 31, 2017

| | Within One Month | 1 to 3 Months | 3 Months to 1 Year |
|---|---|---|---|
| Non-derivative financial liabilities | | | |
| Non-interest bearing | $ 1,382,883 | $ 62,984 | $ 53,878 |

September 30, 2017

| | Within One Month | 1 to 3 Months | 3 Months to 1 Year |
|---|---|---|---|
| Non-derivative financial liabilities | | | |
| Non-interest bearing | $ 1,273,675 | $ 62,528 | $ 72,137 |

## 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

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

(Continued)

| Related Party | Relationship with the Group |
|---|---|
| Taiwan Acceptance Corporation | Subsidiary of Yulon |
| Yueki Industrial Co., Ltd. | Same as above |
| Yu Pong Business Co., Ltd. | Same as above |
| Yushin Motor Co., Ltd. | Same as above |
| Yu Chang Motor Co., Ltd. | Same as above |
| Ka-Plus Automobile Leasing Co., Ltd. | Same as above |
| Yu Sing Motor Co., Ltd. | Same as above |
| Empower Motor Co., Ltd. | Same as above |
| Uni Auto Parts Co., Ltd. | Same as above |
| Chan Yun Technology Co., Ltd. | Same as above |
| 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 |
| Tai Yuen Textile Co., Ltd. | Same as above |
| San Long Industrial Co., Ltd. | Same as above |
| Sin Etke Technology Co., Ltd. | Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd. |
| Singgual Technology Co., Ltd. | Subsidiary of Singan Co., Ltd. |
| Hsiang Shou Enterprise Co., Ltd. | Same as above |
| Hong Shou Culture Enterprise Co., Ltd. | Same as above |
| Shinshin Credit Corporation | Subsidiary of Taiwan Acceptance Corporation |
| Yu Pool Co., Ltd. | Subsidiary of Yushin Motor Co., Ltd. |
| Yu-Jan Co., Ltd. | Subsidiary of Yu Sing Motor Co., Ltd. |
| Tang Li Enterprise Co., Ltd. | Subsidiary of Yu Tang Motor Co., Ltd. |
| Ding Long Motor Co., Ltd. | Subsidiary of Chen Long Co., Ltd. |
| Lian Cheng Motor Co., Ltd. | Same as above |
| CL Skylite Trading Co., Ltd. | Sub-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. |

(Continued)

| Related Party | Relationship with the Group |
|---|---|
| Hsieh Kuan Manpower Service Co., Ltd. | Subsidiary of Diamond Leasing Service Co., Ltd. |
| Tan Wang Co., Ltd. | Subsidiary of Yu Chang Motor Co., Ltd. |
| Carnival Textile Industrial Corporation | Substantial related party of the Company |
| Y.M. Hi-Tech Industry Ltd. | Subsidiary of China Ogihara Corporation |
| DFS Industrial Group Co., Ltd. | Substantial related party of Dongfeng Nissan Passenger Vehicle Co. |
| Luxgen Taoyuan Motor Co., Ltd. | Subsidiary of Luxgen Motor Co., Ltd. |
| Luxgen Taichung Motor Co., Ltd. | Same as above |
| Luxgen Kaohsiung Motor Co., Ltd. | Same as above |
| ROC-Keeper Industrial Ltd. | Subsidiary of ROC Spicer Co., Ltd. |

(Concluded)

b. Related party transaction details

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

1) Operating transactions

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Sales | | | | |
| Taiwan Acceptance Corporation | $ 5,531,920 | $ 6,868,641 | $ 19,918,988 | $ 23,520,281 |
| Investors that have significant influence | 3,291 | 4,992 | 10,337 | 17,808 |
| Other parties | 786,841 | 862,631 | 2,551,157 | 2,610,389 |
| | $ 6,322,052 | $ 7,736,264 | $ 22,480,482 | $ 26,148,478 |
| Service revenue | | | | |
| Autech Japan, Inc. | $ 5,005 | $ 6,183 | $ 30,977 | $ 14,009 |
| Nissan | 8,885 | 3,978 | 19,012 | 7,381 |
| | $ 13,890 | $ 10,161 | $ 49,989 | $ 21,390 |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Other operating revenue | | | | |
| Yulon | $ 7,655 | $ 4,510 | $ 16,715 | $ 20,921 |
| Yu Chang Motor Co., Ltd. | 1,685 | 4,210 | 6,023 | 5,599 |
| Other parties | 8,557 | 15,644 | 31,774 | 39,123 |
| | $ 17,897 | $ 24,364 | $ 54,512 | $ 65,643 |

Other operating revenue mainly arose from selling steel plates, steel and aluminum parts, and extending warranty services.

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Operating costs - purchases | | | | |
| Yulon | $ 5,139,921 | $ 5,849,925 | $ 17,638,892 | $ 20,668,104 |
| Investors that have significant influence | 5,261 | 4,183 | 46,326 | 16,944 |
| Other parties | 3,984 | 8,631 | 12,934 | 26,534 |
| | $ 5,149,166 | $ 5,862,739 | $ 17,698,152 | $ 20,711,582 |
| Operating costs - TCA | | | | |
| Nissan | $ 87,441 | $ 109,187 | $ 319,249 | $ 378,982 |
| Autech Japan, Inc. | 13,523 | 12,615 | 66,623 | 37,457 |
| | $ 100,964 | $ 121,802 | $ 385,872 | $ 416,439 |

The Company's TCA is the payment for technical cooperation agreements.

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Operating expenses - rental | | | | |
| Yulon | $ 15,152 | $ 4,118 | $ 43,645 | $ 12,796 |
| Ka-Plus Automobile Leasing Co., Ltd. | 1,982 | 2,111 | 6,167 | 6,792 |
| Other parties | 733 | 1,126 | 3,063 | 3,577 |
| | $ 17,867 | $ 7,355 | $ 52,875 | $ 23,165 |

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Selling and marketing expenses | | | | |
| Yu Chang Motor Co., Ltd. | $ 48,061 | $ 93,760 | $ 184,306 | $ 244,970 |
| Investors that have significant influence | 3,513 | 4,270 | 8,714 | 11,456 |
| Other parties | 421,678 | 443,686 | 1,205,033 | 1,271,954 |
| | $ 473,252 | $ 541,716 | $ 1,398,053 | $ 1,528,380 |
| General and administrative expenses | | | | |
| Yulon Management Co., Ltd. | $ 43,689 | $ 43,713 | $ 130,989 | $ 131,013 |
| Investors that have significant influence | 3,010 | 3,299 | 9,684 | 8,103 |
| Other parties | 1,353 | 1,476 | 5,682 | 7,089 |
| | $ 48,052 | $ 48,488 | $ 146,355 | $ 146,205 |
| Research and development expenses | | | | |
| Yulon | $ 38,980 | $ 9,960 | $ 69,201 | $ 22,655 |
| Investors that have significant influence | 20,404 | 4,746 | 24,731 | 7,338 |
| Other parties | 1,968 | 2,232 | 12,788 | 14,429 |
| | $ 61,352 | $ 16,938 | $ 106,720 | $ 44,422 |

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

General and administrative expenses are payment to Yulon Management Co., Ltd. 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 September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Investors that have significant influence | $ - | $ 2,606 | $ - | $ 2,673 |
| Other parties | 14,753 | 1,342 | 20,397 | 6,476 |
| | $ 14,753 | $ 3,948 | $ 20,397 | $ 9,149 |

2) Non-operating transactions

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Other revenue | | | | |
| Tokio Marine Newa Insurance Co., Ltd. | $ 456 | $ 384 | $ 1,420 | $ 1,296 |
| Overseas business expense | | | | |
| Yulon Management Co., Ltd. | $ 1,032 | $ 387 | $ 2,809 | $ 1,557 |
| Other parties | - | - | - | 479 |
| | $ 1,032 | $ 387 | $ 2,809 | $ 2,036 |
| Other losses | | | | |
| Investors that have significant influence | $ - | $ 6 | $ - | $ 83 |

3) Receivables from related parties

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Notes receivable | | | |
| Yushin Motor Co., Ltd. | $ 804 | $ 1,235 | $ - |
| Yuan Lon Motor Co., Ltd. | 8,717 | 377 | - |
| | $ 9,521 | $ 1,612 | $ - |
| Trade receivables | | | |
| Taiwan Acceptance Corporation | $ 313,627 | $ 412,802 | $ 174,836 |
| Yulon | 146,774 | 382,335 | 108,332 |
| Investors that have significant influence | 11,798 | 8,528 | 11,521 |
| Other parties | 113,491 | 94,291 | 103,281 |
| | $ 585,690 | $ 897,956 | $ 397,970 |

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 nine months ended September 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

4) Payables to related parties

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Trade payables | | | |
| Yulon | $ 532,717 | $ 419,184 | $ 225,639 |
| Nissan | 122,553 | 84,896 | 164,441 |
| Other parties | 257,521 | 371,384 | 278,129 |
| | $ 912,791 | $ 875,464 | $ 668,209 |

Trade payables from related parties are unsecured.

5) Refundable deposits

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Yulon | $ 94,617 | $ 96,770 | $ 373,496 |
| Yu Sing Motor Co., Ltd. | - | 800 | 800 |
| | $ 94,617 | $ 97,570 | $ 374,296 |

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

6) Prepayments

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Yulon Management Co., Ltd. | $ 43,650 | $ - | $ 43,650 |
| Investors that have significant influence | 9,981 | 10,866 | 11,119 |
| | $ 53,631 | $ 10,866 | $ 54,769 |

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

7) Contract liabilities

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Autech Japan, Inc. | $ 80,946 | $ - | $ - |

The Company designs and develops car models for Autech Japan, Inc. and, according to the related contracts, receives payments before satisfying performance obligations. Those contract liabilities are recognized as current and non-current liabilities according to the timing of revenue recognition.

8) Receipts in advance

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Autech Japan, Inc. | $ - | $ 113,331 | $ 59,933 |

The Company designs and develops car models for Autech Japan, Inc., and according to the related contracts to receive payments in advance. Those service revenue receipts in advance are recognized as current and non-current liabilities according to the timing of revenue recognition.

c. Compensation of key management personnel

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term employee benefits | $ 10,194 | $ 11,539 | $ 33,431 | $ 33,378 |
| Post-employment benefits | 635 | 629 | 1,876 | 1,593 |
| | $ 10,829 | $ 12,168 | $ 35,307 | $ 34,971 |

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 trade receivables to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to $1,422,761 thousand and $1,485,900 thousand for the nine months ended September 30, 2018 and 2017, respectively. As of September 30, 2018 and 2017, the Company had received $1,375,881 thousand and $1,459,671 thousand, respectively. Based on the related contract, the amount of receivables sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest intervals of the rates for trade receivables sold to Taiwan Acceptance Corporation for the nine months ended September 30, 2018 and 2017 were 2.32% and 2.34%-2.43%, respectively; and the Company's interest expenses recognized were $710 thousand and $758 thousand, respectively.

As of September 30, 2018, the abovementioned unreceived amount of receivables sold is $46,880 thousand. The Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale will result in derecognizing these trade receivables because the Company will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL under IFRS 9, because the objective of the Company's business model is achieved by selling financial assets.

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

The molds contract is valid from the date of the contract to the end of production of the car model. The Company re-signed the molds contract 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 was $262,139 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of September 30, 2018, the Company had already paid the contract amount in full (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 of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

3) The Company signed a molds contract with Shinshin Credit Corporation

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is $56,828 thousand (excluding of tax). The total newly-signed contract amount in August 2018 was $85,242 thousand (excluding of tax). As of September 30, 2018, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Shinshin Credit Corporation, before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

4) The Company signed a molds contract with Sinjang Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is $56,176 thousand (excluding of tax). The total newly-signed contract amount in August 2018 was $84,264 thousand (excluding of tax). As of September 30, 2018, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Sinjang Co., Ltd., before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

5) The Company signed a molds contract with Chan Yun Technology Co., Ltd.

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is $27,744 thousand (excluding of tax). The total newly-signed contract amount in August 2018 was $41,616 thousand (excluding of tax). As of September 30, 2018, the Company had already paid the contract amount in full (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Chan Yun Technology Co., Ltd., before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the 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 September 30, 2018 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 after-sales service.

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

b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to September 30, 2018, no buy-back of vehicles has occurred.

c. Unrecognized commitments

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Acquisition of property, plant and equipment | $ 148,706 | $ 180,059 | $ 242,142 |

## 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)**

September 30, 2018

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| RMB | $ 1,262,520 | 0.1454 (RMB:USD) | $ 5,603,443 |
| USD | 21,421 | 30.525 (USD:NTD) | 653,876 |
| JPY | 115,198 | 0.2692 (JPY:NTD) | 31,011 |
| RMB | 704 | 4.4360 (RMB:NTD) | 3,123 |
| | | | $ 6,291,453 |
| Financial liabilities | | | |
| Monetary items | | | |
| JPY | 59 | 0.2692 (JPY:NTD) | $ 16 |

December 31, 2017

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| RMB | $ 847,522 | 4.5650 (RMB:NTD) | $ 3,868,938 |
| USD | 39,010 | 29.760 (USD:NTD) | 1,160,938 |
| RMB | 154,288 | 0.1530 (RMB:USD) | 702,520 |
| JPY | 351,864 | 0.2642 (JPY:NTD) | 92,962 |
| | | | $ 5,825,358 |
| Financial liabilities | | | |
| Monetary items | | | |
| JPY | 179 | 0.2642 (JPY:NTD) | $ 47 |

September 30, 2017

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| RMB | $ 1,273,207 | 0.1507 (RMB:USD) | $ 5,806,055 |
| USD | 37,806 | 30.260 (USD:NTD) | 1,144,048 |
| JPY | 205,474 | 0.2691 (JPY:NTD) | 55,293 |
| RMB | 213 | 4.5510 (RMB:NTD) | 971 |
| | | | $ 7,006,367 |
| Financial liabilities | | | |
| Monetary items | | | |
| JPY | 179 | 0.2691 (JPY:NTD) | $ 48 |

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

| | For the Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| RMB | 4.5010 (RMB:NTD) | $ (110) | 4.5350 (RMB:NTD) | $ (6,225) |
| RMB | 0.1471 (RMB:USD) | (26,153) | 0.1500 (RMB:USD) | 107,149 |
| USD | 30.672 (USD:NTD) | 7,884 | 30.267 (USD:NTD) | (20,588) |
| JPY | 0.2752 (JPY:NTD) | (1,236) | 0.2726 (JPY:NTD) | 837 |
| | | $ (19,615) | | $ 81,173 |

| | For the Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| RMB | 4.5940 (RMB:NTD) | $ (3,253) | 4.4920 (RMB:NTD) | $ (307,965) |
| RMB | 0.1536 (RMB:USD) | (35,260) | 0.1470 (RMB:USD) | 126,287 |
| USD | 29.915 (USD:NTD) | 38,497 | 30.539 (USD:NTD) | (156,609) |
| JPY | 0.2728 (JPY:NTD) | 797 | 0.2729 (JPY:NTD) | 5,115 |
| | | $ 781 | | $ (333,172) |

## 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 Nine Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Vehicle segment | $ 20,005,109 | $ 23,618,791 | $ 908,467 | $ 1,754,637 |
| Part segment | 2,813,087 | 2,913,155 | 517,222 | 513,282 |
| Investment segment | - | - | 4,648,552 | 4,335,739 |
| Other segment | 113,514 | 91,233 | (352,802) | (445,511) |
| | $ 22,931,710 | $ 26,623,179 | 5,721,439 | 6,158,147 |
| Gain on disposal of property, plant and equipment | | | - | 104 |
| Interest income | | | 39,026 | 170,913 |
| Gain on fair value changes of financial assets at fair value through profit or loss, net | | | 4,856 | 2,959 |

(Continued)

| | Revenue | | Profit Before Tax | |
|---|---|---|---|---|
| | For the Nine Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Foreign exchange gain (loss), net | | | $ 781 | $ (333,172) |
| Interest expense | | | (710) | (10,897) |
| Gain on disposal of investments, net | | | 2,450 | 3,944 |
| Central administration costs and directors' compensation | | | (11,250) | (11,700) |
| Profit before tax | | | $ 5,756,592 | $ 5,980,298 |

(Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the nine months ended September 30, 2018 and 2017.

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 gain (loss), net, interest expense, gain on disposal of investments, net, central administration costs 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

| | September 30, 2018 | December 31, 2017 | September 30, 2017 |
|---|---|---|---|
| Vehicle segment | $ 1,504,103 | $ 1,392,785 | $ 1,338,878 |
| Part segment | 20,048 | 28,623 | 43,444 |
| Investment segment | 13,912,622 | 15,251,359 | 13,543,002 |
| Other segment | 58,080 | 57,817 | 43,936 |
| | 15,494,853 | 16,730,584 | 14,969,260 |
| Unallocated assets | 8,717,704 | 9,046,203 | 9,143,135 |
| Consolidated total assets | $ 24,212,557 | $ 25,776,787 | $ 24,112,395 |

**TABLE 1**

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**SEPTEMBER 30, 2018**
**(In Thousands of New Taiwan Dollars)**

| Investor | Securities Type and Name | Relationship with the Investor | Financial Statement Account | September 30, 2018 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Stocks (Thousands) | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value (Note) | |
| Yulon Nissan Motor Company, Ltd. | Beneficiary certificates | | | | | | | |
| | PineBridge Emerging Market Asia-Pacific Strategic Bond A | - | Financial assets at fair value through profit or loss | 2,713 | $ 30,322 | - | $ 30,322 | |
| | PineBridge Preferred Securities Income Fund | - | Financial assets at fair value through profit or loss | 2,921 | 29,825 | - | 29,825 | |
| | Fuh Hwa Global Fixed Income Fund of Funds | - | Financial assets at fair value through profit or loss | 1,347 | 19,690 | - | 19,690 | |
| | Nomura Global Equity Fund TWD | - | Financial assets at fair value through profit or loss | 800 | 14,360 | - | 14,360 | |
| | Cathay Senior Secured High Yield Bond Fund | - | Financial assets at fair value through profit or loss | 1,000 | 10,340 | - | 10,340 | |
| | Allianz Global Investors Global Biotech Fund | - | Financial assets at fair value through profit or loss | 141 | 5,430 | - | 5,430 | |
| | Prudential Financial Global Infra Fund | - | Financial assets at fair value through profit or loss | 399 | 4,892 | - | 4,892 | |

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of September 30, 2018.

TABLE 2

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount | Carrying Amount | Gain (Loss) on Disposal | Stocks (Thousands) | Amount (Note) |
| Yulon Nissan Motor Company, Ltd. | Beneficiary certificates | | | | | | | | | | | | | |
| | Yuanta De-Bao Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | $ - | 41,824 | $ 500,000 | 41,824 | $ 501,251 | $ 500,000 | $ 1,251 | - | $ - |
| | PineBridge Taiwan Money Market Securities Investment Trust Fund | Financial assets at fair value through profit or loss | - | - | 14,685 | 200,000 | 7,327 | 100,000 | 22,012 | 300,602 | 300,000 | 602 | - | - |
| | Prudential Financial Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 19,072 | 300,000 | 19,072 | 300,803 | 300,000 | 803 | - | - |
| | Fuh Hwa Money Market | Financial assets at fair value through profit or loss | - | - | - | - | 34,798 | 500,000 | 34,798 | 501,110 | 500,000 | 1,110 | - | - |
| | Shin Kong Chi-Shin Money-Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 45,411 | 700,000 | 45,411 | 701,475 | 700,000 | 1,475 | - | - |
| | Taishin 1699 Money Market | Financial assets at fair value through profit or loss | - | - | - | - | 29,693 | 400,000 | 29,693 | 400,491 | 400,000 | 491 | - | - |
| | FSITC Taiwan Money Market | Financial assets at fair value through profit or loss | - | - | - | - | 32,864 | 500,000 | 32,864 | 501,344 | 500,000 | 1,344 | - | - |
| | Mega Diamond Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 40,075 | 500,000 | 40,075 | 501,138 | 500,000 | 1,138 | - | - |

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 NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(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 | $ 17,638,892 | 98 | 4 days after sales for parts<br>3 days after sales for vehicles | $ - | - | $ (532,717) | (55) | - |
| | Taiwan Acceptance Corporation | Subsidiary of Yulon | Sale | 19,918,988 | 87 | Same as above | - | - | 313,627 | 48 | - |
| | Yuan Lon Motor Co., Ltd. | Substantial related party of Yulon | Sale | 344,221 | 2 | 14 days after sales for parts<br>Immediate payment for vehicles | - | - | 22,688 | 3 | - |
| | Yu Chang Motor Co., Ltd. | Subsidiary of Yulon | Sale | 344,070 | 2 | 14 days after sales for parts | - | - | 17,764 | 3 | - |
| | Yu Sing Motor Co., Ltd. | Subsidiary of Yulon | Sale | 302,608 | 1 | Same as above | - | - | 8,070 | 1 | - |
| | Empower Motor Co., Ltd. | Subsidiary of Yulon | Sale | 270,761 | 1 | 14 days after sales for parts<br>Immediate payment for vehicles | - | - | 12,638 | 2 | - |
| | Hui-Lian Motor Co., Ltd. | Substantial related party of Yulon | Sale | 251,941 | 1 | 14 days after sales for parts | - | - | 9,922 | 2 | - |
| | Chen Long Co., Ltd. | Substantial related party of Yulon | Sale | 251,252 | 1 | 14 days after sales for parts<br>Immediate payment for vehicles | - | - | 5,826 | 1 | - |
| | Yu Tang Motor Co., Ltd. | Substantial related party of Yulon | Sale | 226,897 | 1 | 14 days after sales for parts | - | - | 1,602 | - | - |
| | Yushin Motor Co., Ltd. | Substantial related party of Yulon | Sale | 212,717 | 1 | 14 days after sales for parts<br>Immediate payment for vehicles | - | - | 2,305 | - | - |

Note 1: Transaction terms are based on agreements.

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

**TABLE 4**

# 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**
**SEPTEMBER 30, 2018**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Financial Statement Account and 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 | Subsidiary of Yulon | Trade receivables $ 313,627 | 73.12 | $ - | - | $ 304,042 | $ - |
| | Yulon | Equity-method investor of the Company | Trade receivables 146,774 | Note 2 | - | - | 80,634 | - |

Note 1: Balances shown here are 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 INVESTEES**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(In Thousands of New Taiwan Dollars and U.S. Dollars)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of September 30, 2018 | | | Net Income of the Investee | Share of Profit | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2018 | December 31, 2017 | Stocks (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 | $ 20,128,317 | $ 4,625,457 | $ 4,625,457 | 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$ 659,209 | US$ 154,620 | US$ 154,620 | Notes 1 and 2 |

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

Note 2: Eliminated.

TABLE 6

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(In Thousands of New Taiwan Dollars)**

| Number (Note 1) | Company Name | Related Party | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount (Note 3) | Payment Terms (Note 4) | % to Total Sales or Assets (Note 5) |
| 0 | Yulon Nissan Motor Company, Ltd. | Jetford Inc. | a | Trade receivables - related parties | $ 5,469 | - | - |
| | | | | Reduction of general and administrative expenses | 17,014 | - | - |

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 NINE MONTHS ENDED SEPTEMBER 30, 2018**
**(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, 2018 | Investment Flows | | Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2018 | % Ownership of Direct or Indirect Investment | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note 2) | Carrying Amount as of September 30, 2018 | Accumulated Repatriation of Investment Income as of September 30, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 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 | $ 2,785,252 (US$ 93,106) | $ 460,959 (US$ 15,409) | $ 1,836,076 (US$ 60,150) | $ 2,971,576 (US$ 94,087) |
| Aeolus Automobile Co., Ltd. | Consulting | 761,964 (RMB 194,400) | Note 1 | 533,109 (US$ 16,812) | - | - | 533,109 (US$ 16,812) | 33.12 | 40,047 (US$ 1,339) | 13,263 (US$ 443) | 723,781 (US$ 23,711) | 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 | 10,315,044 (US$ 344,812) | 4,126,018 (US$ 137,925) | 10,603,341 (US$ 347,366) | 24,606,052 (US$ 788,646) |
| 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 | 109,186 (US$ 3,650) | 49,134 (US$ 1,642) | 749,212 (US$ 24,544) | - |
| Dong Feng Yulon Used Cars Co., Ltd. | Valuation, purchase, renovation, rental, selling of used cars and training. | 38,300 (RMB 10,000) | Note 1 | 18,804 (US$ 593) | - | - | 18,804 (US$ 593) | 49.00 | 13,107 (US$ 438) | 6,422 (US$ 215) | 212 (US$ 7) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2018 | 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) | $11,242,560 |

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

Note 2: The carrying amount and related investment income of the equity investment were calculated based on the 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.