

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2019 and 2018 and  
Independent Auditors' Review Report**

## 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 June 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, 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" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China. 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 June 30, 2019 and 2018, and its consolidated financial performance for the three months ended June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

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

August 2, 2019

Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

ASSETS	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 2,534,782	9	\$ 7,043,180	27	\$ 3,388,930	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	4,237,853	14	325,129	1	5,581,003	19
Notes receivable - related parties (Notes 4, 21 and 28)	1,048	-	513	-	1,049	-
Trade receivables (Notes 4, 8 and 21)	35,830	-	31,340	-	35,278	-
Trade receivables - related parties (Notes 4, 21 and 28)	738,225	3	894,105	4	837,697	3
Other receivables (Notes 4 and 8)	7,708,096	26	57,570	-	15,305	-
Prepayments (Note 28)	88,798	-	12,243	-	103,441	-
Total current assets	<u>15,344,632</u>	<u>52</u>	<u>8,364,080</u>	<u>32</u>	<u>9,962,703</u>	<u>33</u>
<b>NON-CURRENT ASSETS</b>						
Investments accounted for using equity method (Notes 4 and 11)	11,436,986	38	15,629,726	60	18,495,020	62
Property, plant and equipment (Notes 4, 5, 12 and 28)	1,936,814	7	1,793,200	7	1,395,405	5
Right-of-use assets (Notes 4, 13 and 28)	760,112	3	-	-	-	-
Computer software (Notes 4 and 14)	23,311	-	25,152	-	20,463	-
Deferred tax assets (Note 4)	107,717	-	116,324	-	140,739	-
Other non-current assets (Notes 15 and 28)	143,151	-	171,265	1	35,623	-
Total non-current assets	<u>14,408,091</u>	<u>48</u>	<u>17,735,667</u>	<u>68</u>	<u>20,087,250</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 29,752,723</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 30,049,953</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Contract liabilities (Notes 21 and 28)	\$ 72,443	-	\$ 50,553	-	\$ 58,924	-
Notes payable	4,740	-	-	-	-	-
Notes payable - related parties (Note 28)	58	-	-	-	-	-
Trade payables	32,637	-	146,794	1	74,102	-
Trade payables - related parties (Note 28)	813,782	3	1,303,228	5	1,135,313	4
Lease liabilities (Notes 4, 13 and 28)	53,732	-	-	-	-	-
Other payables (Note 16)	6,330,319	21	981,106	4	7,526,792	25
Current tax liabilities (Note 4)	134,449	1	648,662	2	172,181	-
Provisions (Notes 4, 5 and 17)	190,659	1	188,149	1	200,936	1
Other current liabilities (Note 18)	4,540	-	4,679	-	5,214	-
Total current liabilities	<u>7,637,359</u>	<u>26</u>	<u>3,323,171</u>	<u>13</u>	<u>9,173,462</u>	<u>30</u>
<b>NON-CURRENT LIABILITIES</b>						
Contract liabilities (Notes 21 and 28)	8,917	-	22,487	-	34,864	-
Provisions (Notes 4, 5 and 17)	60,337	-	61,364	-	68,713	1
Lease liabilities (Notes 4, 13 and 28)	697,995	2	-	-	-	-
Credit balance of investments accounted for using equity method (Notes 4 and 11)	-	-	-	-	2,060	-
Net defined benefit liabilities (Note 4)	276,945	1	329,881	1	360,431	1
Deferred tax liabilities (Note 4)	2,535,110	9	1,905,810	8	2,399,073	8
Total non-current liabilities	<u>3,579,304</u>	<u>12</u>	<u>2,319,542</u>	<u>9</u>	<u>2,865,141</u>	<u>10</u>
Total liabilities	<u>11,216,663</u>	<u>38</u>	<u>5,642,713</u>	<u>22</u>	<u>12,038,603</u>	<u>40</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks	3,000,000	10	3,000,000	12	3,000,000	10
Capital surplus	6,129,405	21	6,129,405	23	6,129,405	21
Retained earnings						
Legal reserve	5,473,169	18	4,884,164	19	4,884,164	16
Special reserve	1,163,895	4	1,163,895	4	1,163,895	4
Unappropriated earnings	3,215,222	11	6,011,725	23	3,051,260	10
Total retained earnings	9,852,286	33	12,059,784	46	9,099,319	30
Other equity	(445,631)	(2)	(732,155)	(3)	(217,374)	(1)
Total equity	<u>18,536,060</u>	<u>62</u>	<u>20,457,034</u>	<u>78</u>	<u>18,011,350</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 29,752,723</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 30,049,953</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 2, 2019)

## 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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Notes 21 and 28)								
Sales (Note 4)	\$ 6,968,909	99	\$ 8,044,616	100	\$ 15,736,643	99	\$ 16,363,947	100
Service revenue (Note 4)	55,252	1	17,918	-	101,644	1	36,099	-
Other operating revenue	<u>15,536</u>	-	<u>20,032</u>	-	<u>37,641</u>	-	<u>40,968</u>	-
Total operating revenue	7,039,697	100	8,082,566	100	15,875,928	100	16,441,014	100
OPERATING COSTS								
(Notes 9, 22 and 28)								
	<u>6,103,167</u>	<u>87</u>	<u>6,621,967</u>	<u>82</u>	<u>13,436,209</u>	<u>85</u>	<u>13,319,032</u>	<u>81</u>
GROSS PROFIT	<u>936,530</u>	<u>13</u>	<u>1,460,599</u>	<u>18</u>	<u>2,439,719</u>	<u>15</u>	<u>3,121,982</u>	<u>19</u>
OPERATING EXPENSES								
(Notes 22 and 28)								
Selling and marketing expenses	580,007	8	762,901	10	1,485,953	9	1,743,488	11
General and administrative expenses	99,075	1	85,475	1	212,845	1	198,641	1
Research and development expenses	<u>123,018</u>	<u>2</u>	<u>196,712</u>	<u>2</u>	<u>238,576</u>	<u>2</u>	<u>335,478</u>	<u>2</u>
Total operating expenses	<u>802,100</u>	<u>11</u>	<u>1,045,088</u>	<u>13</u>	<u>1,937,374</u>	<u>12</u>	<u>2,277,607</u>	<u>14</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 28)	<u>265</u>	-	-	-	<u>481</u>	-	-	-
PROFIT FROM OPERATIONS	<u>134,695</u>	<u>2</u>	<u>415,511</u>	<u>5</u>	<u>502,826</u>	<u>3</u>	<u>844,375</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES								
Shares of profit of associates	1,987,621	28	1,846,714	23	3,369,279	21	3,108,243	19
Interest income (Note 4)	13,973	-	14,859	-	44,627	-	27,071	-
Gain on fair value changes of financial assets at fair value through profit or loss, net	9,886	-	4,392	-	17,796	-	8,003	-
Other revenue (Note 28)	642	-	2,443	-	1,241	-	3,500	-
Foreign exchange gain(loss), net (Note 22)	(167,579)	(2)	19,637	1	(55,633)	-	20,396	-
Loss on disposal of investments, net (Note 22)	-	-	-	-	(2,998)	-	(4,052)	-
Interest expenses (Note 28)	(2,043)	-	(248)	-	(4,056)	-	(477)	-
Overseas business expenses (Note 28)	(1,961)	-	(2,711)	-	(4,240)	-	(4,756)	-
Other losses	<u>(615)</u>	-	<u>(1,465)</u>	-	<u>(1,800)</u>	-	<u>(1,744)</u>	-
Total non-operating income and expenses	<u>1,839,924</u>	<u>26</u>	<u>1,883,621</u>	<u>24</u>	<u>3,364,216</u>	<u>21</u>	<u>3,156,184</u>	<u>19</u>

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## 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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE TAX	\$ 1,974,619	28	\$ 2,299,132	29	\$ 3,867,042	24	\$ 4,000,559	24
INCOME TAX EXPENSE (Notes 4 and 23)	<u>401,216</u>	<u>6</u>	<u>458,637</u>	<u>6</u>	<u>779,511</u>	<u>5</u>	<u>1,049,037</u>	<u>6</u>
NET PROFIT FOR THE PERIOD	<u>1,573,403</u>	<u>22</u>	<u>1,840,495</u>	<u>23</u>	<u>3,087,531</u>	<u>19</u>	<u>2,951,522</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
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)	-	-	(22)	-	-	-	(22)	-
Remeasurement of defined benefit plans	(545)	-	(587)	-	7,464	-	5,563	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>109</u>	<u>-</u>	<u>121</u>	<u>-</u>	<u>(1,493)</u>	<u>-</u>	<u>2,019</u>	<u>-</u>
	<u>(436)</u>	<u>-</u>	<u>(488)</u>	<u>-</u>	<u>5,971</u>	<u>-</u>	<u>7,560</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	<u>(71,856)</u>	<u>(1)</u>	<u>(79,339)</u>	<u>(1)</u>	<u>286,524</u>	<u>2</u>	<u>157,644</u>	<u>1</u>
Other comprehensive income for the period, net of income tax	<u>(72,292)</u>	<u>(1)</u>	<u>(79,827)</u>	<u>(1)</u>	<u>292,495</u>	<u>2</u>	<u>165,204</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,501,111</u>	<u>21</u>	<u>\$ 1,760,668</u>	<u>22</u>	<u>\$ 3,380,026</u>	<u>21</u>	<u>\$ 3,116,726</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,573,403</u>	<u>22</u>	<u>\$ 1,840,495</u>	<u>23</u>	<u>\$ 3,087,531</u>	<u>19</u>	<u>\$ 2,951,522</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owner of the Company	<u>\$ 1,501,111</u>	<u>21</u>	<u>\$ 1,760,668</u>	<u>22</u>	<u>\$ 3,380,026</u>	<u>21</u>	<u>\$ 3,116,726</u>	<u>19</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 5.24</u>		<u>\$ 6.13</u>		<u>\$ 10.29</u>		<u>\$ 9.84</u>	
Diluted	<u>\$ 5.24</u>		<u>\$ 6.13</u>		<u>\$ 10.29</u>		<u>\$ 9.84</u>	

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

(With Deloitte & Touche review report dated August 2, 2019)

(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)

	Capital Stock	Capital Surplus (Note 20)	Retained Earnings (Note 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
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 six months ended June 30, 2018	-	-	-	-	2,951,522	-	2,951,522
Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	7,560	157,644	165,204
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	2,959,082	157,644	3,116,726
BALANCE, JUNE 30, 2018	\$ 3,000,000	\$ 6,129,405	\$ 4,884,164	\$ 1,163,895	\$ 3,051,260	\$ (217,374)	\$ 18,011,350
BALANCE, JANUARY 1, 2019	\$ 3,000,000	\$ 6,129,405	\$ 4,884,164	\$ 1,163,895	\$ 6,011,725	\$ (732,155)	\$ 20,457,034
Appropriation of 2018 earnings							
Legal reserve	-	-	589,005	-	(589,005)	-	-
Cash dividend distributed by the Company - \$17.67 per share	-	-	-	-	(5,301,000)	-	(5,301,000)
	-	-	589,005	-	(5,890,005)	-	(5,301,000)
Net profit for the six months ended June 30, 2019	-	-	-	-	3,087,531	-	3,087,531
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	5,971	286,524	292,495
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	3,093,502	286,524	3,380,026
BALANCE, JUNE 30, 2019	\$ 3,000,000	\$ 6,129,405	\$ 5,473,169	\$ 1,163,895	\$ 3,215,222	\$ (445,631)	\$ 18,536,060

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

(With Deloitte & Touche review report dated August 2, 2019)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,867,042	\$ 4,000,559
Adjustments for:		
Depreciation expenses	278,127	242,874
Amortization expenses	4,870	3,570
Gain on fair value changes of financial assets at fair value through profit of loss, net	(17,796)	(8,003)
Interest expenses	4,056	477
Interest income	(44,627)	(27,071)
Share of profit of associates	(3,369,279)	(3,108,243)
Gain on disposal of property, plant and equipment, net	(481)	-
Loss on disposal of investment, net	2,998	4,052
Net foreign exchange loss	65,075	1,233
Recognition (reversal) of inventory purchase commitments	7,401	(76)
Warranty costs	64,129	94,105
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(3,897,926)	(4,703,000)
Notes receivable - related parties	(535)	563
Trade receivables	(4,489)	3,872
Trade receivables - related parties	155,808	60,334
Other receivables	28,398	109,489
Prepayments	(86,287)	(80,184)
Contract liabilities	8,320	(28,284)
Notes payable	4,740	-
Notes payable - related parties	58	-
Trade payables	(114,157)	18,717
Trade payables - related parties	(241,831)	263,942
Other payables	48,213	313,420
Provisions	(70,047)	(79,589)
Other current liabilities	(139)	(1,918)
Net defined benefit liabilities	(45,472)	(26,631)
Cash used in operations	(3,353,831)	(2,945,792)
Interest paid	(4,056)	(477)
Income tax paid	(657,310)	(444,201)
Net cash used in operating activities	(4,015,197)	(3,390,470)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	44,159	28,030
Payment for property, plant and equipment (Note 25)	(614,729)	(179,211)
Proceeds from disposal of property, plant and equipment	1,476	8

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2019	2018
Payments for computer software	\$ (3,029)	\$ (3,151)
Decrease in refundable deposits	<u>74</u>	<u>94,981</u>
Net cash used in investing activities	<u>(572,049)</u>	<u>(59,343)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	<u>(26,235)</u>	<u>-</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>105,083</u>	<u>16,722</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,508,398)	(3,433,091)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>7,043,180</u>	<u>6,822,021</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 2,534,782</u>	<u>\$ 3,388,930</u>

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

(With Deloitte & Touche review report dated August 2, 2019)

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) is a business 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 August 2, 2019.

### 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects 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. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes 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 asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are 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 expedient (b) which is applied, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.
- 3) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 4) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 5) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.91%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	<u>\$ 11,556</u>
Undiscounted amounts on January 1, 2019	<u>\$ 11,556</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 11,246
Add: Adjustment as a result of renewal of enforceable lease	<u>758,747</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 769,993</u>

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Prepayments for leases	\$ 9,732	\$ (9,732)	\$ -
Right-of-use assets	<u>-</u>	<u>779,725</u>	<u>779,725</u>
Total effect on assets	<u>\$ 9,732</u>	<u>\$ 769,993</u>	<u>\$ 779,725</u>
Lease liabilities - current	\$ -	\$ 51,595	\$ 51,595
Lease liabilities - non-current	<u>-</u>	<u>718,398</u>	<u>718,398</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 769,993</u>	<u>\$ 769,993</u>

- b. The "IFRSs" endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: 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 2: 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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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

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

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

### 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.

## 2) Impairment of financial assets

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.

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**

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.

**Leases**

2019

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

The Group as lessee

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

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

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

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

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

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

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## **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 rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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 of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

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

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

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

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

a. Property, plant and equipment - 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 June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amounts of provisions for warranties were \$145,833 thousand, \$151,751 thousand and \$166,000 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ -	\$ -	\$ 8
Checking accounts and demand deposits	956,905	526,977	1,322,296
Foreign currency demand deposits	181,324	344,320	401,387
Cash equivalents			
Foreign currency time deposits	485,034	5,684,374	721,230
Time deposits	207,267	106,900	6,900
Repurchase agreements collateralized by bonds	<u>704,252</u>	<u>380,609</u>	<u>937,109</u>
	<u>\$ 2,534,782</u>	<u>\$ 7,043,180</u>	<u>\$ 3,388,930</u>

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Demand deposits and time deposits	0.001%-3.30%	0.08%-3.75%	0.001%-3.95%
Repurchase agreements collateralized by bonds	3.10%-3.30%	3.10%	2.40%-2.85%

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

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily classified as at <u>FVTPL</u>			
Non-derivative financial assets			
Mutual funds	<u>\$ 4,237,853</u>	<u>\$ 325,129</u>	<u>\$ 5,581,003</u>

## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Trade receivables</u>			
At amortized cost	<u>\$ 35,830</u>	<u>\$ 31,340</u>	<u>\$ 35,278</u>

(Continued)

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Other receivables</u>			
Dividends receivables	\$ 7,678,456	\$ -	\$ -
Interest receivables	8,183	7,715	3,859
Disposal of investment receivables	-	27,926	-
Others	<u>21,457</u>	<u>21,929</u>	<u>11,446</u>
	<u>\$ 7,708,096</u>	<u>\$ 57,570</u>	<u>\$ 15,305</u> (Concluded)

a. Trade receivables

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

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

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

June 30, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 31,267	\$ 4,563	\$ -	\$ -	\$ 35,830
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 31,267</u>	<u>\$ 4,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,830</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 24,489	\$ 6,617	\$ 45	\$ 189	\$ 31,340
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 24,489</u>	<u>\$ 6,617</u>	<u>\$ 45</u>	<u>\$ 189</u>	<u>\$ 31,340</u>

June 30, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>121 to 180 Days</b>	<b>Over 181 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	
Gross carrying amount	\$ 35,278	\$ -	\$ -	\$ -	\$ 35,278
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 35,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,278</u>

b. Other receivables

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

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the other receivables were mainly dividend receivables from the investees:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Guangzhou Aeolus Automobile Co., Ltd.	\$ 5,673,496	\$ -	\$ -
Aeolus Xiangyang Automobile Co., Ltd.	1,216,587	-	-
Shenzhen Lan You Technology Co., Ltd.	726,131	-	-
Aeolus Automobile Co., Ltd.	<u>62,242</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,678,456</u>	<u>\$ -</u>	<u>\$ -</u>

**9. INVENTORIES**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Vehicles	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2019 was \$6,103,167 thousand, which included warranty costs of \$31,340 thousand and losses on inventory purchase commitments of \$6,170 thousand. The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2019 was \$13,436,209 thousand, which included warranty costs of \$64,129 thousand and losses on inventory purchase commitments of \$7,401 thousand. The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2018 was \$6,621,967 thousand, which included warranty cost of \$38,164 thousand and reversal of loss on inventory purchase commitment of \$2,832 thousand. The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2018 was \$13,319,032 thousand, which included warranty costs of \$94,105 thousand and reversal of losses on inventory purchase commitments of \$76 thousand.

## 10. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			June 30, 2019	December 31, 2018	June 30, 2018
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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Material associate</u>			
Guangzhou Aeolus Automobile Co., Ltd.	\$ 9,588,135	\$ 12,088,780	\$ 15,335,282
<u>Associates that are not individually material</u>			
Aeolus Xiangyang Automobile Co., Ltd.	1,059,679	2,016,228	1,670,072
Shenzhen Lan You Technology Co., Ltd.	101,802	790,455	757,235
Aeolus Automobile Co., Ltd.	679,862	732,038	732,431
Dong Feng Yulon Used Cars Co., Ltd.	7,508	2,225	(2,060)
	<u>1,848,851</u>	<u>3,540,946</u>	<u>3,157,678</u>
Add: Credit balance of investments accounted for using equity method	<u>-</u>	<u>-</u>	<u>2,060</u>
	<u>1,848,851</u>	<u>3,540,946</u>	<u>3,159,738</u>
	<u>\$ 11,436,986</u>	<u>\$ 15,629,726</u>	<u>\$ 18,495,020</u>

The Board of Directors of the Company approved to dispose of the shareholdings in the indirect investment in Aeolus Automobile Co., Ltd., Dongfeng Yulon Used Cars Co., Ltd., and Shenzhen Lan You Technology Co., Ltd. and also approved to increase the shareholding in the indirect investment in Guangzhou Aeolus Automobile Co., Ltd. on January 28, 2019.

Jetford Inc. approved to dispose of the shareholdings in the investment in Aeolus Automobile Co., Ltd., Dongfeng Yulon Used Cars Co., Ltd., and Shenzhen Lan You Technology Co., Ltd. and the price were RMB7,424 thousand, RMB156,177 thousand and RMB108,964 thousand, respectively. Jetford Inc. also approved to increase the shareholding for RMB272,565 thousand in the investment in Guangzhou Aeolus Automobile Co., Ltd. on April 29, 2019. As of August 2, 2019, the investment case and capital increase case are still pending approval by the State Administration for Industry and Commerce of the People's Republic of China.

a. Material associate

Company Name	Main Business	Location	Proportion of Ownership and Voting Rights		
			December 31,		
			June 30, 2019	2018	June 30, 2018
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.

	June 30, 2019	December 31, 2018	June 30, 2018	
Current assets	\$ 8,808,108	\$ 8,936,868	\$ 15,427,368	
Non-current assets	32,994,586	33,304,304	34,313,575	
Current liabilities	(13,996,553)	(8,195,550)	(7,368,243)	
Non-current liabilities	<u>(3,835,804)</u>	<u>(3,823,671)</u>	<u>(4,034,494)</u>	
Equity	<u>\$ 23,970,337</u>	<u>\$ 30,221,951</u>	<u>\$ 38,338,206</u>	
Equity attributable to the Group	<u>\$ 9,588,135</u>	<u>\$ 12,088,780</u>	<u>\$ 15,335,282</u>	
Carrying amount	<u>\$ 9,588,135</u>	<u>\$ 12,088,780</u>	<u>\$ 15,335,282</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Revenue	<u>\$ 9,088,984</u>	<u>\$ 9,237,723</u>	<u>\$ 17,007,348</u>	<u>\$ 16,481,792</u>
Net profit for the period	<u>\$ 4,520,368</u>	<u>\$ 4,165,634</u>	<u>\$ 7,720,370</u>	<u>\$ 7,123,749</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b. Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Group's share of:				
Net profit for the period	\$ 179,474	\$ 180,460	\$ 281,131	\$ 258,743
Other comprehensive income	<u>-</u>	<u>(22)</u>	<u>-</u>	<u>(22)</u>
Total comprehensive income for the period	<u>\$ 179,474</u>	<u>\$ 180,438</u>	<u>\$ 281,131</u>	<u>\$ 258,721</u>

c. Other information

The investments accounted for using equity method and the share of profit of those investments for the three months and the six months ended June 30, 2019 and 2018 was based on the associates' financial statements reviewed by the auditors for the same periods.

## 12. PROPERTY, PLANT AND EQUIPMENT - USED BY THE GROUP

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
<b>Cost</b>									
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	89,912	58,449	916	9,785	-	-	-	-	159,062
Disposals	(1,847,968)	(330,764)	(22)	-	-	-	-	-	(2,178,754)
Balance at June 30, 2018	<u>\$ 3,066,777</u>	<u>\$ 628,120</u>	<u>\$ 83,477</u>	<u>\$ 187,424</u>	<u>\$ 19,022</u>	<u>\$ 6,662</u>	<u>\$ 4,393</u>	<u>\$ 5,694</u>	<u>\$ 4,001,569</u>
<b>Accumulated depreciation and impairment</b>									
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 expenses	(194,787)	(32,924)	(3,365)	(9,899)	(1,357)	(85)	(439)	(18)	(242,874)
Disposals	1,847,968	330,764	14	-	-	-	-	-	2,178,746
Balance at June 30, 2018	<u>\$ (2,002,149)</u>	<u>\$ (385,641)</u>	<u>\$ (67,493)</u>	<u>\$ (128,138)</u>	<u>\$ (8,226)</u>	<u>\$ (6,286)</u>	<u>\$ (2,562)</u>	<u>\$ (5,669)</u>	<u>\$ (2,606,164)</u>
Carrying amount, net, June 30, 2018	<u>\$ 1,064,628</u>	<u>\$ 242,479</u>	<u>\$ 15,984</u>	<u>\$ 59,286</u>	<u>\$ 10,796</u>	<u>\$ 376</u>	<u>\$ 1,831</u>	<u>\$ 25</u>	<u>\$ 1,395,405</u>
<b>Cost</b>									
Balance at January 1, 2019	\$ 3,571,240	\$ 676,081	\$ 81,664	\$ 181,753	\$ 19,612	\$ 4,350	\$ 4,393	\$ 6,662	\$ 4,545,755
Additions	338,328	204	-	48,629	-	-	5,900	2,093	395,154
Disposals	-	-	(84)	-	(1,571)	-	-	-	(1,655)
Balance at June 30, 2019	<u>\$ 3,909,568</u>	<u>\$ 676,285</u>	<u>\$ 81,580</u>	<u>\$ 230,382</u>	<u>\$ 18,041</u>	<u>\$ 4,350</u>	<u>\$ 10,293</u>	<u>\$ 8,755</u>	<u>\$ 4,939,254</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2019	\$ (2,128,804)	\$ (410,601)	\$ (67,361)	\$ (123,428)	\$ (9,599)	\$ (4,058)	\$ (3,002)	\$ (5,702)	\$ (2,752,555)
Depreciation expenses	(200,773)	(36,907)	(3,026)	(7,554)	(1,351)	(80)	(734)	(120)	(250,545)
Disposals	-	-	84	-	576	-	-	-	660
Balance at June 30, 2019	<u>\$ (2,329,577)</u>	<u>\$ (447,508)</u>	<u>\$ (70,303)</u>	<u>\$ (130,982)</u>	<u>\$ (10,374)</u>	<u>\$ (4,138)</u>	<u>\$ (3,736)</u>	<u>\$ (5,822)</u>	<u>\$ (3,002,440)</u>
Carrying amount, net, December 31, 2018 and January 1, 2019	<u>\$ 1,442,436</u>	<u>\$ 265,480</u>	<u>\$ 14,303</u>	<u>\$ 58,325</u>	<u>\$ 10,013</u>	<u>\$ 292</u>	<u>\$ 1,391</u>	<u>\$ 960</u>	<u>\$ 1,793,200</u>
Carrying amount, net, June 30, 2019	<u>\$ 1,579,991</u>	<u>\$ 228,777</u>	<u>\$ 11,277</u>	<u>\$ 99,400</u>	<u>\$ 7,667</u>	<u>\$ 212</u>	<u>\$ 6,557</u>	<u>\$ 2,933</u>	<u>\$ 1,936,814</u>

There were no signs of impairment losses of assets for the six months ended June 30, 2019 and 2018; 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. LEASE ARRANGEMENTS

#### a. Right-of-use assets - 2019

	<b>June 30, 2019</b>	
<u>Carrying amounts</u>		
Buildings		\$ 742,826
Transportation equipment		<u>17,286</u>
		<u>\$ 760,112</u>
	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Additions to right-of-use assets	<u>\$ 6,691</u>	<u>\$ 7,969</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 11,929	\$ 23,858
Transportation equipment	<u>2,043</u>	<u>3,724</u>
	<u>\$ 13,972</u>	<u>\$ 27,582</u>

#### b. Lease liabilities - 2019

	<b>June 30, 2019</b>	
<u>Carrying amounts</u>		
Current		<u>\$ 53,732</u>
Non-current		<u>\$ 697,995</u>

Range of discount rate for lease liabilities was as follows:

	<b>June 30, 2019</b>
Buildings	0.91%
Transportation equipment	0.91%

#### c. Material lease-in activities and terms

The Group leases certain cars for the use of its executives with lease terms of 2 to 4 years. The Group does not have bargain purchase options to acquire the leasehold cars at the end of the lease terms.

The Group also leases buildings for the use of plants, offices and dormitory with lease terms of 5 to 18 years. If the lease term is not specified in the lease contract with the related party, lease term is based on the useful lives of the right-of-use assets, please refer to Note 28. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

d. Other lease information

2019

	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Expenses relating to short-term leases	<u>\$ 2,486</u>	<u>\$ 6,831</u>
Total cash outflow for leases	<u>\$ (15,732)</u>	<u>\$ (33,066)</u>

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

2018

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

	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Not later than 1 year	\$ 2,311	\$ 936
Later than 1 year and not later than 5 years	<u>9,245</u>	<u>-</u>
	<u>\$ 11,556</u>	<u>\$ 936</u>

**14. COMPUTER SOFTWARE**

	<b>Amount</b>
<u>Cost</u>	
Balance, January 1, 2018	\$ 25,302
Additions	3,151
Disposals	<u>(1,767)</u>
Balance, June 30, 2018	<u>\$ 26,686</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2018	\$ (4,420)
Amortization expenses	(3,570)
Disposals	<u>1,767</u>
Balance, June 30, 2018	<u>\$ (6,223)</u>
Carrying amounts at June 30, 2018	<u>\$ 20,463</u>

(Continued)

	<b>Amount</b>
<u>Cost</u>	
Balance, January 1, 2019	\$ 35,256
Additions	3,029
Disposals	<u>(1,736)</u>
Balance, June 30, 2019	<u>\$ 36,549</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2019	\$ (10,104)
Amortization expenses	(4,870)
Disposals	<u>1,736</u>
Balance, June 30, 2019	<u>\$ (13,238)</u>
Carrying amounts December 31, 2018 and January 1, 2019	<u>\$ 25,152</u>
Carrying amounts at June 30, 2019	<u>\$ 23,311</u>
	(Concluded)

There were no signs of impairment losses of assets for the six months ended June 30, 2019 and 2018; therefore, the Group did not assess for impairment.

#### 15. OTHER NON CURRENT ASSETS

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Refundable deposits (Note 28)	\$ 96,343	\$ 96,417	\$ 3,594
Prepayments for equipment	17,895	45,935	32,029
Others	<u>28,913</u>	<u>28,913</u>	<u>-</u>
	<u>\$ 143,151</u>	<u>\$ 171,265</u>	<u>\$ 35,623</u>

#### 16. OTHER PAYABLES

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Dividends	\$ 5,301,000	\$ -	\$ 6,300,000
Advertising and promotion fees	731,029	508,237	889,838
Salaries and bonuses	197,259	310,139	210,345
Taxes	16,873	-	32,143
Others	<u>84,158</u>	<u>162,730</u>	<u>94,466</u>
	<u>\$ 6,330,319</u>	<u>\$ 981,106</u>	<u>\$ 7,526,792</u>

## 17. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Current			
Inventory purchase commitments	\$ 105,163	\$ 97,762	\$ 103,649
Warranties	<u>85,496</u>	<u>90,387</u>	<u>97,287</u>
	<u>\$ 190,659</u>	<u>\$ 188,149</u>	<u>\$ 200,936</u>
Non-current			
Warranties	<u>\$ 60,337</u>	<u>\$ 61,364</u>	<u>\$ 68,713</u>
	<b>Inventory Purchase Commitments</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2018	\$ 103,725	\$ 151,484	\$ 255,209
Additional provisions recognized	(76)	94,105	94,029
Paid	<u>-</u>	<u>(79,589)</u>	<u>(79,589)</u>
Balance at June 30, 2018	<u>\$ 103,649</u>	<u>\$ 166,000</u>	<u>\$ 269,649</u>
Balance at January 1, 2019	\$ 97,762	\$ 151,751	\$ 249,513
Additional provisions recognized	7,401	64,129	71,530
Paid	<u>-</u>	<u>(70,047)</u>	<u>(70,047)</u>
Balance at June 30, 2019	<u>\$ 105,163</u>	<u>\$ 145,833</u>	<u>\$ 250,996</u>

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

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

## 18. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Withholding	\$ 3,066	\$ 3,087	\$ 2,806
Others	<u>1,474</u>	<u>1,592</u>	<u>2,408</u>
	<u>\$ 4,540</u>	<u>\$ 4,679</u>	<u>\$ 5,214</u>

## 19. 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 June 30, 2019 and 2018, and the six months ended June 30, 2019 and 2018 was \$3,790 thousand, \$3,669 thousand, \$7,607 thousand, and \$7,332 thousand, respectively, 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 June 30, 2019; 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 \$1,983 thousand, \$2,436 thousand, \$3,966 thousand and \$4,871 thousand for the three months ended June 30, 2019 and 2018, and the six months ended June 30, 2019 and 2018 respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 20. EQUITY

### a. Capital surplus

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Excess from spin-off	\$ 5,986,507	\$ 5,986,507	\$ 5,986,507
Generated from investments accounted for using equity method	<u>142,898</u>	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

The capital surplus from investments accounted for using equity method may be used to offset a deficit only.

### 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 22-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 2018 and 2017 that were approved in the shareholder's meetings on June 28, 2019 and June 21, 2018, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 589,005	\$ 664,250		
Special reserve	-	375,018		
Cash dividends	5,301,000	6,000,000	\$17.67	\$20

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

## 21. REVENUE

### a. Contact balances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	<u>January 1, 2018</u>
Notes receivable - related parties (Note 28)	<u>\$ 1,048</u>	<u>\$ 513</u>	<u>\$ 1,049</u>	<u>\$ 1,611</u>
Trade receivables (Note 8)	<u>\$ 35,830</u>	<u>\$ 31,340</u>	<u>\$ 35,278</u>	<u>\$ 39,135</u>
Trade receivables - related parties	<u>\$ 593,759</u>	<u>\$ 724,150</u>	<u>\$ 699,164</u>	<u>\$ 476,168</u>
Contract liabilities				
Designing and performing R&D of cars (Note 28)	\$ 72,443	\$ 50,553	\$ 52,496	\$ 50,311
Sale of goods	-	-	-	476
Others	-	-	6,428	8,265
Contract liabilities - current	<u>72,443</u>	<u>50,553</u>	<u>58,924</u>	<u>59,052</u>
Designing and performing R&D of cars (Note 28)	<u>8,917</u>	<u>22,487</u>	<u>34,864</u>	<u>63,020</u>
Contract liabilities - non-current	<u>8,917</u>	<u>22,487</u>	<u>34,864</u>	<u>63,020</u>
	<u>\$ 81,360</u>	<u>\$ 73,040</u>	<u>\$ 93,788</u>	<u>\$ 122,072</u>

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:

	<b>For the Six months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
From the beginning contract liability		
Designing and performing R&D of cars	<u>\$ 31,939</u>	<u>\$ 25,972</u>

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.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Designing and performing R&D of cars			
In 2018	\$ -	\$ -	\$ 26,047
In 2019	64,364	50,553	50,553
In 2020	<u>16,996</u>	<u>22,487</u>	<u>10,760</u>
	<u>\$ 81,360</u>	<u>\$ 73,040</u>	<u>\$ 87,360</u>

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

## 22. NET PROFIT

a. Other operating income and expenses

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Gains on disposal of property, plant and equipment	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ 481</u>	<u>\$ -</u>

b. Depreciation and amortization

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function				
Operating cost	\$ 117,038	\$ 106,455	\$ 237,680	\$ 227,711
Operating expenses	<u>20,415</u>	<u>6,985</u>	<u>40,447</u>	<u>15,163</u>
	<u>\$ 137,453</u>	<u>\$ 113,440</u>	<u>\$ 278,127</u>	<u>\$ 242,874</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 2,611</u>	<u>\$ 1,859</u>	<u>\$ 4,870</u>	<u>\$ 3,570</u>

c. Technical cooperation agreement

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Operating costs	<u>\$ 114,996</u>	<u>\$ 140,021</u>	<u>\$ 274,301</u>	<u>\$ 284,908</u>

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

d. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Post-employment benefits (Note 19)				
Defined contribution plans	\$ 3,790	\$ 3,669	\$ 7,607	\$ 7,332
Defined benefit plans	<u>1,983</u>	<u>2,436</u>	<u>3,966</u>	<u>4,871</u>
	<u>5,773</u>	<u>6,105</u>	<u>11,573</u>	<u>12,203</u>
Labor and health insurance	8,704	8,435	21,415	21,525
Salary	124,491	140,821	259,008	287,821
Other employee benefits	<u>12,271</u>	<u>10,236</u>	<u>25,336</u>	<u>23,326</u>
	<u>145,466</u>	<u>159,492</u>	<u>305,759</u>	<u>332,672</u>
Total employee benefit expenses	<u>\$ 151,239</u>	<u>\$ 165,597</u>	<u>\$ 317,332</u>	<u>\$ 344,875</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 151,173</u>	<u>\$ 165,474</u>	<u>\$ 317,178</u>	<u>\$ 344,636</u>
Non-operating expenses	<u>\$ 66</u>	<u>\$ 123</u>	<u>\$ 154</u>	<u>\$ 239</u>

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 June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, were as follows:

Accrual rate

	<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	0.10%	0.10%

Amount

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Employees' compensation	<u>\$ 1,976</u>	<u>\$ 2,268</u>	<u>\$ 3,871</u>	<u>\$ 3,978</u>

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 2018 and 2017 that were resolved by the board of directors on March 22, 2019, and March 26, 2018, respectively, are as shown below.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 7,684	\$ 8,011

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, 2018 and 2017.

Information on the employees' compensation resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange, net

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 907	\$ (36,127)	\$ 196,236	\$ 145,472
Foreign exchange losses	<u>(168,486)</u>	<u>55,764</u>	<u>(251,869)</u>	<u>(125,076)</u>
Net profit (loss)	<u>\$ (167,579)</u>	<u>\$ 19,637</u>	<u>\$ (55,633)</u>	<u>\$ 20,396</u>

g. Gain or loss on disposal of investments, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Gain on disposal of investments	\$ -	\$ -	\$ -	\$ -
Loss on disposal of investments	<u>-</u>	<u>-</u>	<u>(2,998)</u>	<u>(4,052)</u>
Net loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,998)</u>	<u>\$ (4,052)</u>

## 23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current year	\$ 29,604	\$ 82,369	\$ 135,511	\$ 172,835
Income tax on				
unappropriated earnings	1,477	-	1,477	-
Adjustments for prior periods	6,109	(1,287)	6,109	604
Deferred tax				
In respect of the current year	364,026	377,555	636,414	628,102
Adjustments to deferred tax				
attributable to changes in				
tax rates and laws	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,496</u>
Income tax expense recognized				
in profit or loss	<u>\$ 401,216</u>	<u>\$ 458,637</u>	<u>\$ 779,511</u>	<u>\$ 1,049,037</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. 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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Deferred tax</u>				
Effect of change in tax rate In respect of the current year	\$ -	\$ -	\$ -	\$ 3,128
Share of other comprehensive income of associates	-	4	-	4
Remeasurement of defined benefit plan	<u>109</u>	<u>117</u>	<u>(1,493)</u>	<u>(1,113)</u>
Recognized in other comprehensive income (loss)	<u>\$ 109</u>	<u>\$ 121</u>	<u>\$ (1,493)</u>	<u>\$ 2,019</u>

c. Income tax assessment

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

## 24. 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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,573,403</u>	<u>\$ 1,840,495</u>	<u>\$ 3,087,531</u>	<u>\$ 2,951,522</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
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	<u>7</u>	<u>8</u>	<u>28</u>	<u>29</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,007</u>	<u>300,008</u>	<u>300,028</u>	<u>300,029</u>

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.

## 25. NON-CASH TRANSACTIONS

For the six months ended June 30, 2019 and 2018, the Group entered into the following non-cash investing activities:

	<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 395,154	\$ 159,062
Net changes of prepayment for equipment	(28,040)	16,056
Net changes of trade payables	<u>247,615</u>	<u>4,093</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 614,729</u>	<u>\$ 179,211</u>

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

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

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

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

- 1) Fair value hierarchy

June 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 4,237,853	\$ -	\$ -	\$ 4,237,853
Trade receivables - related parties	<u>-</u>	<u>-</u>	<u>28,310</u>	<u>28,310</u>
	<u>\$ 4,237,853</u>	<u>\$ -</u>	<u>\$ 28,310</u>	<u>\$ 4,266,163</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 325,129	\$ -	\$ -	\$ 325,129
Trade receivables - related parties	-	-	<u>31,282</u>	<u>31,282</u>
	<u>\$ 325,129</u>	<u>\$ -</u>	<u>\$ 31,282</u>	<u>\$ 356,411</u>

June 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 5,581,003	\$ -	\$ -	\$ 5,581,003
Trade receivables - related parties	-	-	<u>44,425</u>	<u>44,425</u>
	<u>\$ 5,581,003</u>	<u>\$ -</u>	<u>\$ 44,425</u>	<u>\$ 5,625,428</u>

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

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

The fair value of mutual funds traded on 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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Fair value through profit or loss			
Held for trading			
Mandatorily at FVTPL	\$ 4,266,163	\$ 356,411	\$ 5,625,428
Financial assets at amortized cost (Note 1)	10,989,671	7,995,426	4,233,834
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	6,984,277	2,120,989	8,525,862

Note 1: 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 2: The balances included financial liabilities measured at amortized cost, which comprise 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 lease liabilities. 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.

	<b>Renminbi</b>		<b>U.S. Dollar</b>		<b>Japanese Yen</b>	
	<b>For the Six Months Ended</b>		<b>For the Six Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Gain (loss)	\$ (411,039)	\$ (36,304)	\$ (45,407)	\$ (64,508)	\$ (1,320)	\$ (2,707)

These were mainly attributable to the exposure outstanding on RMB, U.S. dollars 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value interest rate risk			
Financial assets	\$ 1,192,589	\$ 6,066,522	\$ 1,662,479
Financial liabilities	751,727	-	-
Cash flows interest rate risk			
Financial assets	1,342,193	976,658	1,726,443
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 six months ended June 30, 2019 would increase/decrease by \$1,678 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 six months ended June 30, 2018 would increase/decrease by \$2,158 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 70%, 76% and 76% in total trade receivables as of June 30, 2019, December 31, 2018 and June 30, 2018, 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 June 30, 2019, December 31, 2018 and June 30, 2018, the available unutilized borrowings facilities were \$3,200,000 thousand, \$5,700,000 thousand, and \$5,700,000 thousand, respectively.

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

June 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Lease liabilities	\$ 1,569,067 <u>5,033</u>	\$ 5,388,889 <u>10,066</u>	\$ 26,321 <u>45,055</u>	\$ - <u>178,965</u>	\$ - <u>595,202</u>
	<u>\$ 1,574,100</u>	<u>\$ 5,398,955</u>	<u>\$ 71,376</u>	<u>\$ 178,965</u>	<u>\$ 595,202</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 60,154</u>	<u>\$ 178,965</u>	<u>\$ 167,339</u>	<u>\$ 156,843</u>	<u>\$ 129,686</u>	<u>\$ 141,334</u>

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,829,604</u>	<u>\$ 196,192</u>	<u>\$ 95,193</u>

June 30, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 2,349,080</u>	<u>\$ 6,137,591</u>	<u>\$ 39,191</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Parent company
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Trading Europe Ltd.	Same as above
Nissan Trading (Thailand) Co., Ltd.	Same as above
Nissan 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
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

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Uni Calsonic Corporation	Substantial related party of Yulon
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.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Subsidiary of Singan Co., Ltd.
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.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Carnival Textile Industrial Corporation	Substantial related party of the Company
Y.M. Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation
DFS Industrial Group Co., Ltd.	Substantial related party of Dongfeng Nissan Passenger Vehicle Co.
Luxgen Taoyuan Motor Co., Ltd.	Subsidiary of Luxgen Motor Co., Ltd.
Luxgen Taichung Motor Co., Ltd.	Same as above
Luxgen Kaohsiung Motor Co., Ltd.	Same as above
ROC-Keeper Industrial Ltd.	Subsidiary of ROC Spicer Co., Ltd.
Kuen You Trading Co., Ltd.	Investrc of Yu Sing Motor Co., Ltd.
Fengye Leasing Co., Ltd.	Subsidiary of CL Skylite Trading 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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Sales</u>				
Taiwan Acceptance Corporation	\$ 6,011,838	\$ 7,100,004	\$ 13,786,470	\$ 14,387,068
Investors that have significant influence	2,944	3,014	6,623	7,046
Other parties	<u>845,447</u>	<u>843,441</u>	<u>1,715,614</u>	<u>1,764,316</u>
	<u>\$ 6,860,229</u>	<u>\$ 7,946,459</u>	<u>\$ 15,508,707</u>	<u>\$ 16,158,430</u>
<u>Service revenue</u>				
Autech Japan, Inc.	\$ 24,452	\$ 14,501	\$ 31,939	\$ 25,972
Nissan	<u>30,800</u>	<u>3,417</u>	<u>69,705</u>	<u>10,127</u>
	<u>\$ 55,252</u>	<u>\$ 17,918</u>	<u>\$ 101,644</u>	<u>\$ 36,099</u>

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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Other operating revenue</u>				
Yulon	\$ 5,773	\$ 3,215	\$ 14,204	\$ 9,060
Yu Chang Motor Co., Ltd.	1,756	2,247	3,674	4,338
Other parties	<u>6,635</u>	<u>11,633</u>	<u>17,280</u>	<u>23,217</u>
	<u>\$ 14,164</u>	<u>\$ 17,095</u>	<u>\$ 35,158</u>	<u>\$ 36,615</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Operating costs - purchases</u>				
Yulon	\$ 5,717,085	\$ 6,135,975	\$ 12,621,338	\$ 12,498,971
Investors that have significant influence	4,824	10,153	12,571	41,065
Other parties	<u>42,885</u>	<u>4,565</u>	<u>54,795</u>	<u>8,950</u>
	<u>\$ 5,764,794</u>	<u>\$ 6,150,693</u>	<u>\$ 12,688,704</u>	<u>\$ 12,548,986</u>
<u>Operating costs - TCA</u>				
Nissan	\$ 105,714	\$ 112,427	\$ 246,990	\$ 231,808
Autech Japan, Inc.	<u>9,282</u>	<u>27,594</u>	<u>27,311</u>	<u>53,100</u>
	<u>\$ 114,996</u>	<u>\$ 140,021</u>	<u>\$ 274,301</u>	<u>\$ 284,908</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Selling and marketing expenses</u>				
Yu Ming Motor Co., Ltd.	\$ 61,368	\$ 81,908	\$ 124,503	\$ 138,060
Investors that have significant influence	5,411	3,360	10,349	5,201
Other parties	<u>325,298</u>	<u>386,116</u>	<u>640,938</u>	<u>781,540</u>
	<u>\$ 392,077</u>	<u>\$ 471,384</u>	<u>\$ 775,790</u>	<u>\$ 924,801</u>
<u>General and administrative expenses</u>				
Yulon Management Co., Ltd.	\$ 43,650	\$ 43,650	\$ 87,333	\$ 87,300
Investors that have significant influence	3,419	3,497	4,947	6,674
Other parties	<u>3,412</u>	<u>2,709</u>	<u>5,240</u>	<u>4,329</u>
	<u>\$ 50,481</u>	<u>\$ 49,856</u>	<u>\$ 97,520</u>	<u>\$ 98,303</u>
<u>Research and development expenses</u>				
Investors that have significant influence	\$ 3,336	\$ 22,371	\$ 5,782	\$ 34,548
Other parties	<u>337</u>	<u>4,255</u>	<u>2,131</u>	<u>10,820</u>
	<u>\$ 3,673</u>	<u>\$ 26,626</u>	<u>\$ 7,913</u>	<u>\$ 45,368</u>

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:

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Other parties	\$ <u>430</u>	\$ <u>4,658</u>	\$ <u>430</u>	\$ <u>5,644</u>

The Group sold property, plant and equipment to related parties are detailed as follows:

	<b>Proceeds</b>		<b>Gain (Loss) on Disposal</b>	
	<b>For the Three Months Ended</b>		<b>For the Three Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Yu Sing Motor Co., Ltd.	\$ <u>1,143</u>	\$ <u>-</u>	\$ <u>265</u>	\$ <u>-</u>

	<b>Proceeds</b>		<b>Gain (Loss) on Disposal</b>	
	<b>For the Six Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Yu Sing Motor Co., Ltd.	\$ <u>1,143</u>	\$ <u>-</u>	\$ <u>265</u>	\$ <u>-</u>

2) Non-operating transactions

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Other revenue</u>				
Tokio Marine Nawa Insurance Co., Ltd.	\$ <u>326</u>	\$ <u>273</u>	\$ <u>615</u>	\$ <u>964</u>
<u>Overseas business expense</u>				
Yulon Management Co., Ltd.	\$ <u>1,156</u>	\$ <u>1,226</u>	\$ <u>2,312</u>	\$ <u>1,777</u>

3) Receivables from related parties

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Notes receivable</u>			
Yuan Lon Motor Co., Ltd.	\$ 925	\$ 460	\$ 219
Yushin Motor Co., Ltd.	<u>123</u>	<u>53</u>	<u>830</u>
	<u>\$ 1,048</u>	<u>\$ 513</u>	<u>\$ 1,049</u>
<u>Trade receivables</u>			
Taiwan Acceptance Corporation	\$ 479,706	\$ 615,806	\$ 597,375
Yulon	113,762	88,288	111,549
Investors that have significant influence	1,180	10,630	7,718
Other parties	<u>143,577</u>	<u>179,381</u>	<u>121,055</u>
	<u>\$ 738,225</u>	<u>\$ 894,105</u>	<u>\$ 837,697</u>

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

Trade receivables from related parties are unsecured. For the six months ended June 30, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

As of June 30, 2019, the balance of trade receivables from related parties includes \$28,310 thousand, which is sold to Taiwan Acceptance Corporation without recourse. It is measured at FVTPL. Refer to Note 27.

4) Payables to related parties

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Notes payables</u>			
Yulon	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Trade payables</u>			
Yulon	\$ 510,178	\$ 811,332	\$ 650,572
Nissan	108,115	120,917	146,339
Other parties	<u>195,489</u>	<u>370,979</u>	<u>338,402</u>
	<u>\$ 813,782</u>	<u>\$ 1,303,228</u>	<u>\$ 1,135,313</u>

Trade payables from related parties are unsecured.

5) Refundable deposits

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Yulon	\$ 94,617	\$ 94,617	\$ 1,770
Yu Sin Motor Co., Ltd.	<u>800</u>	<u>800</u>	<u>800</u>
	<u>\$ 95,417</u>	<u>\$ 95,417</u>	<u>\$ 2,570</u>

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

6) Prepayments

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Yulon Management Co., Ltd.	\$ 87,300	\$ 9,732	\$ 87,300
Investors that have significant influence	<u>-</u>	<u>-</u>	<u>10,231</u>
	<u>\$ 87,300</u>	<u>\$ 9,732</u>	<u>\$ 97,531</u>

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

7) Contract liabilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Autech Japan, Inc.	\$ 41,101	\$ 73,040	\$ 87,360
Nissan	<u>40,259</u>	<u>-</u>	<u>-</u>
	<u>\$ 81,360</u>	<u>\$ 73,040</u>	<u>\$ 87,360</u>

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) Lease arrangements - group is lessee

Acquisition of right-of-use assets

The Company's rental expenses paid monthly are primarily comprised of building property, car testing expenses, cars for its executives for the six months ended June 30, 2019. The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, cars for its executives for the six months ended June 30, 2018.

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Acquisitions of right-of-use assets</u>				
Yulon	\$ -	\$ -	\$ 766,683	\$ -
Other parties	<u>6,691</u>	<u>-</u>	<u>21,011</u>	<u>-</u>
	<u>\$ 6,691</u>	<u>\$ -</u>	<u>\$ 787,694</u>	<u>\$ -</u>

The right -of-use assets acquired from January 1 to June 30, 2019 include the initial application of IFRS 16 adjustment \$779,725 thousand. Refer to Note 3.

If the lease term is not specified in the lease contract with Yulon, the lease term is to the date on which both parties agree to terminate.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Lease liabilities</u>			
Yulon	\$ 734,313	\$ -	\$ -
Other parties	<u>17,414</u>	<u>-</u>	<u>-</u>
	<u>\$ 751,727</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Interest expense</u>				
Yulon	\$ 1,727	\$ -	\$ 3,455	\$ -
Other parties	<u>43</u>	<u>-</u>	<u>76</u>	<u>-</u>
	<u>\$ 1,770</u>	<u>\$ -</u>	<u>\$ 3,531</u>	<u>\$ -</u>

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Lease expense</u>				
Yulon	\$ 1,677	\$ 14,253	\$ 4,978	\$ 28,493
Ka-Plus Automobile Leasing Co., Ltd.	521	2,003	1,141	4,185
Other parties	<u>288</u>	<u>1,270</u>	<u>712</u>	<u>2,330</u>
	<u>\$ 2,486</u>	<u>\$ 17,526</u>	<u>\$ 6,831</u>	<u>\$ 35,008</u>

Future lease payment receivables was as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
No later than 1 year	\$ 671	\$ 2,311	\$ 936
Later than 1 year and not later than 3 years	<u>-</u>	<u>9,245</u>	<u>-</u>
	<u>\$ 671</u>	<u>\$ 11,556</u>	<u>\$ 936</u>

c. Compensation of key management personnel

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 8,880	\$ 11,068	\$ 18,692	\$ 23,237
Post-employment benefits	<u>505</u>	<u>610</u>	<u>1,044</u>	<u>1,241</u>
	<u>\$ 9,385</u>	<u>\$ 11,678</u>	<u>\$ 19,736</u>	<u>\$ 24,478</u>

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

d. Other transactions with related parties

1) The Company sold trade receivables to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$991,713 thousand and \$976,825 thousand for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Company had received \$963,403 thousand and \$932,400 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 rates for trade receivables sold to Taiwan Acceptance Corporation for the six months ended June 30, 2019 and 2018 were 2.39% and 2.32%, respectively; and the Company's interest expenses recognized were \$525 thousand and \$477 thousand, respectively.

As of June 30, 2019, the abovementioned unreceived amount of receivables sold is \$28,310 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. The total newly-signed contract amount in December 2018 was \$27,744 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total newly-signed contract amount in April and June 2019 was \$89,360 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of June 30, 2019, 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 and October 2018 was \$142,071 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total newly-signed contract amount in April and June 2019 was \$126,059 thousand (excluding of tax). As of June 30, 2019, 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 and October 2018 was \$140,440 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total newly-signed contract amount in April and June 2019 was \$125,149 thousand (excluding of tax). As of June 30, 2019, 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 June 30, 2019, 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 June 30, 2019 were as follows:

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

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to June 30, 2019, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Acquisition of property, plant and equipment	<u>\$ 36,524</u>	<u>\$ 41,891</u>	<u>\$ 146,423</u>

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

June 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,818,940	0.1455 (RMB:USD)	\$ 8,220,154
USD	29,238	31.060 (USD:NTD)	908,132
JPY	91,487	0.2886 (JPY:NTD)	26,403
RMB	137	4.5210 (RMB:NTD)	<u>619</u>
			<u>\$ 9,155,308</u>

Financial liabilities

Monetary items			
JPY	44	0.2886 (JPY:NTD)	<u>\$ 13</u>

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,145,797	4.4720 (RMB:NTD)	\$ 5,124,004
USD	23,129	30.715 (USD:NTD)	710,407
RMB	125,886	0.1457 (RMB:USD)	563,365
JPY	75,652	0.2782 (JPY:NTD)	<u>21,046</u>
			<u>\$ 6,418,822</u>

Financial liabilities

Monetary items			
JPY	101	0.2782 (JPY:NTD)	<u>\$ 28</u>

June 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 702	4.593 (RMB:NTD)	\$ 3,226
USD	42,356	30.460 (USD:NTD)	1,290,168
RMB	157,057	0.1511 (RMB:USD)	722,856
JPY	196,668	0.2754 (JPY:NTD)	<u>54,162</u>
			<u>\$ 2,070,412</u>

Financial liabilities

Monetary items			
JPY	85	0.2754 (JPY:NTD)	<u>\$ 23</u>

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

<b>For the Three Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
RMB	4.5540 (RMB:NTD)	\$ (13)	4.6690 (RMB:NTD)	\$ (34)
RMB	0.1467 (RMB:USD)	(174,194)	0.1568 (RMB:USD)	(36,230)
USD	31.137 (USD:NTD)	5,838	29.774 (USD:NTD)	56,259
JPY	0.2835 (JPY:NTD)	<u>790</u>	0.2729 (JPY:NTD)	<u>(358)</u>
		<u>\$ (167,579)</u>		<u>\$ 19,637</u>

<b>For the Six Months Ended June 30</b>				
<b>2019</b>			<b>2018</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
RMB	4.5600 (RMB:NTD)	\$ 98,625	4.6400 (RMB:NTD)	\$ (3,143)
RMB	0.1475 (RMB:USD)	(163,049)	0.1571 (RMB:USD)	(9,107)
USD	30.983 (USD:NTD)	8,348	29.537 (USD:NTD)	30,613
JPY	0.2817 (JPY:NTD)	<u>443</u>	0.2716 (JPY:NTD)	<u>2,033</u>
		<u>\$ (55,633)</u>		<u>\$ 20,396</u>

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 32. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales.

Part segment: Parts sales.

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments.

#### a. Segment revenues and results

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

	Revenue		Profit Before Tax	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Vehicle segment	\$ 13,806,239	\$ 14,451,252	\$ 245,554	\$ 796,769
Part segment	1,930,404	1,912,695	356,618	359,559
Investment segment	-	-	3,365,039	3,103,487
Other segment	139,285	77,067	(93,786)	(302,397)
	\$ 15,875,928	\$ 16,441,014	3,873,425	3,957,418
Gain on disposal of property, plant and equipment			481	-
Interest income			44,627	27,071
Gain on fair value changes of financial assets at fair value through profit or loss, net			17,796	8,003
Foreign exchange gain (loss), net			(55,633)	20,396
Loss on disposal of investments, net			(2,998)	(4,052)
Interest expense			(4,056)	(477)
Central administration costs and directors' compensation			(6,600)	(7,800)
Profit before tax			\$ 3,867,042	\$ 4,000,559

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended June 30, 2019 and 2018.

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, loss on disposal of investments, net, interest expense, 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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Vehicle segment	\$ 1,812,173	\$ 1,712,832	\$ 1,312,716
Part segment	26,869	17,941	22,199
Investment segment	11,436,986	15,629,726	18,495,020
Other segment	<u>97,772</u>	<u>62,427</u>	<u>60,490</u>
	13,373,800	17,422,926	19,890,425
Unallocated assets	<u>16,378,923</u>	<u>8,676,821</u>	<u>10,159,528</u>
Consolidated total assets	<u>\$ 29,752,723</u>	<u>\$ 26,099,747</u>	<u>\$ 30,049,953</u>

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2019				Note
				Stocks (Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	20,241	\$ 330,432	-	\$ 330,432	
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	25,396	318,599	-	318,599	
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss	19,613	300,461	-	300,461	
	FSITC Money Market	-	Financial assets at fair value through profit or loss	1,682	300,458	-	300,458	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	20,255	300,452	-	300,452	
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss	29,028	300,421	-	300,421	
	Shin Kong Chi-Shin Money-Market Fund	-	Financial assets at fair value through profit or loss	19,376	300,384	-	300,384	
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss	19,764	275,472	-	275,472	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	14,253	230,240	-	230,240	
	PineBridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss	16,663	228,235	-	228,235	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss	12,938	204,894	-	204,894	
	Nomura Money Market	-	Financial assets at fair value through profit or loss	12,256	200,211	-	200,211	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	16,072	200,205	-	200,205	
	Fuh Hwa You Li Money Market Fund	-	Financial assets at fair value through profit or loss	14,840	200,203	-	200,203	
	The RSIT Enhanced Money Market Fund	-	Financial assets at fair value through profit or loss	10,446	125,153	-	125,153	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	6,165	100,338	-	100,338	
	Manulife Wan Li Money Market Fund	-	Financial assets at fair value through profit or loss	7,314	100,097	-	100,097	
	PineBridge Global Multi-Strategy High Yield Bond	-	Financial assets at fair value through profit or loss	5,744	82,346	-	82,346	
	Cathay Senior Secured High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,718	51,691	-	51,691	
	PineBridge Emerging Market Asia-Pacific Strategic Bond	-	Financial assets at fair value through profit or loss	2,713	32,570	-	32,570	
	KGI Victory Money Market Fund	-	Financial assets at fair value through profit or loss	1,730	20,052	-	20,052	
	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss	1,348	19,483	-	19,483	
	Nomura Global Equity Fund TWD	-	Financial assets at fair value through profit or loss	800	15,456	-	15,456	

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 June 30, 2019.

## 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 SIX MONTHS ENDED JUNE 30, 2019  
 (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.	<u>Beneficiary certificates</u>													
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,844	\$ 30,000	18,397	\$ 300,000	-	\$ -	\$ -	\$ -	20,241	\$ 330,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	20,255	300,000	-	-	-	-	20,255	300,000
	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	19,613	300,000	-	-	-	-	19,613	300,000
	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	29,028	300,000	-	-	-	-	29,028	300,000
	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	19,376	300,000	-	-	-	-	19,376	300,000
	FSITC Money Market	Financial assets at fair value through profit or loss	-	-	-	-	1,682	300,000	-	-	-	-	1,682	300,000
Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,448	18,112	23,948	300,000	-	-	-	-	25,396	318,112	

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 SIX MONTHS ENDED JUNE 30, 2019  
(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	\$ 12,621,338	98	4 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (510,236)	(60)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	13,786,470	87	Same as above	-	-	479,706	62	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	230,225	1	14 days after sales for parts Immediate payment for vehicles	-	-	19,357	2	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	214,059	1	14 days after sales for parts	-	-	18,847	2	-
	Yu Ming Motor Co., Ltd.	Subsidiary of Yulon	Sale	183,191	1	14 days after sales for parts Immediate payment for vehicles	-	-	16,355	2	-
	Yu Shin Motor Co., Ltd.	Subsidiary of Yulon	Sale	178,057	1	14 days after sales for parts	-	-	8,785	1	-
	Huilian Motor Co., Ltd.	Substantial related party of Yulon	Sale	175,937	1	Same as above	-	-	5,623	1	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	155,565	1	Same as above	-	-	7,832	1	-
	Cheng Ling Motor Co., Ltd.	Substantial related party of Yulon	Sale	147,770	1	14 days after sales for parts Immediate payment for vehicles	-	-	10,858	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	126,815	1	14 days after sales for parts	-	-	7,459	1	-

Note 1: Transaction terms are based on agreements.

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

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

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

**JUNE 30, 2019**

**(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 Yulon	Subsidiary of Yulon	Trade receivables \$ 479,706	50.34	\$ -	-	\$ 470,131	\$ -
		Equity-method investor of the Company	Trade receivables 113,762	Note 2	-	-	28,584	-

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 INVESTEEES  
 FOR THE SIX MONTHS ENDED JUNE 30, 2019  
 (In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income of the Investee	Share of Profit	Note
				June 30, 2019	December 31, 2018	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	\$ 19,735,141	\$ 3,204,587	\$ 3,204,587	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\$ 635,196	US\$ 103,430	US\$ 103,430	Notes 1 and 2

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

Note 2: Eliminated.

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(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	\$ 4,805	-	-
				Reduction of general and administrative expenses	10,729	-	-

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.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(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, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019
					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	\$ 1,467,603 (US\$ 47,368)	\$ 242,888 (US\$ 7,839)	\$ 1,059,679 (US\$ 34,117)	\$ 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	8,731 (US\$ 282)	2,892 (US\$ 93)	679,862 (US\$ 21,889)	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	7,720,370 (US\$ 249,181)	3,088,148 (US\$ 99,672)	9,588,135 (US\$ 308,697)	29,600,606 (US\$ 950,492)
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	66,734 (US\$ 2,154)	30,030 (US\$ 969)	101,802 (US\$ 3,278)	-
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	10,858 (US\$ 350)	5,321 (US\$ 172)	7,508 (US\$ 242)	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2019	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)	\$11,121,636

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.