

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

YULON NISSAN MOTOR COMPANY, LTD.

By

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CHEN-LI- LIAN YEN  
Chairman of the Board

March 24, 2020

### INDEPENDENT AUDITORS' REPORT

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

#### Opinion

We have audited the accompanying consolidated financial statements of Yulon Nissan Motor Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Depreciation of Molds and Dies

In the application of IAS 16 “Property, Plant and Equipment”, the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Group depreciates molds and dies on the basis of the unit production method and examines the estimated units sold of each model according to the changes of the market semiannually as a basis to calculate amounts allocated to each mold and die. The depreciation of molds and dies in 2019 was \$403,350 thousand. The amount of depreciation of molds and dies is significant and estimates of units sold are highly dependent on management’s judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 12 to the consolidated financial statements.

We understood the Company’s mold and dies depreciation process and related control systems and tested the implementation and operation of the process and controls. We obtained the information and documents regarding the estimated number of units of future sales by each model from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the transactions of molds and dies to verify original documents and cash flows and performed procedures such as field inventory and confirmation. Besides, we recalculated the amount of depreciation of molds and dies on the basis of estimated production volume and assessed the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we determined there was no significant difference between the amended estimated number of units of future sales used in the consolidated financial statements of the last year and the actual sales units, and confirmed the appropriateness of management’s estimation.

### **Other Matter**

We have also audited the parent company only financial statements of Yulon Nissan Motor Company, Ltd., as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including independent directors and the audit committee, are responsible for overseeing the Group’s financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2020

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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

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

	2019		2018	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 8,585,354	30	\$ 7,043,180	27
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,251,525	4	325,129	1
Notes receivable - related parties (Notes 4, 21 and 28)	4,732	-	513	-
Trade receivables (Notes 4, 8 and 21)	18,184	-	31,340	-
Trade receivables - related parties (Notes 4, 21 and 28)	628,987	2	894,105	4
Other receivables (Notes 4 and 8)	4,294,353	15	57,570	-
Prepayments (Note 28)	213,973	1	12,243	-
Total current assets	14,997,108	52	8,364,080	32
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 11)	10,708,207	38	15,629,726	60
Property, plant and equipment (Notes 4, 5, 12 and 28)	1,934,280	7	1,793,200	7
Right-of-use asset (Notes 4, 13 and 28)	729,943	3	-	-
Computer software (Notes 4 and 14)	22,170	-	25,152	-
Deferred tax assets (Notes 4 and 23)	106,927	-	116,324	-
Other non-current assets (Notes 15 and 28)	72,771	-	171,265	1
Total non-current assets	13,574,298	48	17,735,667	68
<b>TOTAL</b>	<b>\$ 28,571,406</b>	<b>100</b>	<b>\$ 26,099,747</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 21 and 28)	\$ 33,029	-	\$ 50,553	-
Trade payables	21,906	-	146,794	1
Trade payables - related parties (Note 28)	598,146	2	1,303,228	5
Lease liabilities (Notes 4, 13 and 28)	54,190	-	-	-
Other payables (Note 16)	2,095,895	7	981,106	4
Current tax liabilities (Notes 4 and 23)	706,161	3	648,662	2
Provisions (Notes 4 and 17)	191,241	1	188,149	1
Other current liabilities (Notes 18 and 28)	4,607	-	4,679	-
Total current liabilities	3,705,175	13	3,323,171	13
<b>NON-CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 21 and 28)	-	-	22,487	-
Provisions (Notes 4 and 17)	60,559	-	61,364	-
Lease liabilities (Notes 4, 13 and 28)	670,159	2	-	-
Net defined benefit liabilities (Notes 4 and 19)	232,025	1	329,881	1
Deferred tax liabilities (Notes 4 and 23)	2,330,164	8	1,905,810	8
Total non-current liabilities	3,292,907	11	2,319,542	9
Total liabilities	6,998,082	24	5,642,713	22
<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	11	3,000,000	12
Capital surplus	5,988,968	21	6,129,405	23
Retained earnings				
Legal reserve	5,473,169	19	4,884,164	19
Special reserve	1,163,895	4	1,163,895	4
Unappropriated earnings	7,218,124	25	6,011,725	23
Total retained earnings	13,855,188	48	12,059,784	46
Other equity	(1,270,832)	(4)	(732,155)	(3)
Total equity	21,573,324	76	20,457,034	78
<b>TOTAL</b>	<b>\$ 28,571,406</b>	<b>100</b>	<b>\$ 26,099,747</b>	<b>100</b>

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 28)				
Sales (Note 4)	\$ 32,145,186	99	\$ 31,111,218	100
Service revenue (Note 4)	269,315	1	59,958	-
Other operating revenue	<u>84,106</u>	<u>-</u>	<u>86,554</u>	<u>-</u>
Total operating revenue	32,498,607	100	31,257,730	100
OPERATING COSTS (Notes 9, 22 and 28)	<u>27,650,385</u>	<u>85</u>	<u>25,931,003</u>	<u>83</u>
GROSS PROFIT	<u>4,848,222</u>	<u>15</u>	<u>5,326,727</u>	<u>17</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	2,481,695	8	2,886,302	9
General and administrative expenses	383,020	1	396,226	2
Research and development expenses	<u>621,509</u>	<u>2</u>	<u>707,445</u>	<u>2</u>
Total operating expenses	<u>3,486,224</u>	<u>11</u>	<u>3,989,973</u>	<u>13</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 28)	<u>2,491</u>	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,364,489</u>	<u>4</u>	<u>1,336,754</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	7,511,291	23	6,250,398	20
Gain (loss) on disposal of investments, net (Notes 11, 22 and 28)	405,519	1	(2,496)	-
Interest income (Note 4)	112,800	1	82,859	1
Gain on financial assets at fair value through profit or loss, net	11,525	-	2,998	-
Other revenue (Note 28)	1,892	-	4,434	-
Overseas business expenses (Note 28)	(7,069)	-	(10,156)	-
Interest expenses (Note 28)	(7,954)	-	(997)	-
Net foreign exchange gain (loss) (Note 22)	(277,773)	(1)	16,058	-
Other losses (Note 28)	<u>(2,453)</u>	<u>-</u>	<u>(3,292)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,747,778</u>	<u>24</u>	<u>6,339,806</u>	<u>21</u>
PROFIT BEFORE INCOME TAX	9,112,267	28	7,676,560	25
INCOME TAX EXPENSES (Notes 4 and 23)	<u>1,830,370</u>	<u>5</u>	<u>1,786,514</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>7,281,897</u>	<u>23</u>	<u>5,890,046</u>	<u>19</u>

(Continued)



# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	\$ 13,137	-	\$ 33,034	-
Share of other comprehensive loss of associates accounted for using equity method (Note 11)	(51)	-	(67)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>(2,617)</u>	<u>-</u>	<u>(3,466)</u>	<u>-</u>
	<u>10,469</u>	<u>-</u>	<u>29,501</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(538,677)</u>	<u>(2)</u>	<u>(357,137)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(528,208)</u>	<u>(2)</u>	<u>(327,636)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,753,689</u>	<u>21</u>	<u>\$ 5,562,410</u>	<u>18</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 7,281,897</u>	<u>22</u>	<u>\$ 5,890,046</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 6,753,689</u>	<u>21</u>	<u>\$ 5,562,410</u>	<u>18</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$24.27</u>		<u>\$19.63</u>	
Diluted	<u>\$24.27</u>		<u>\$19.63</u>	

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock	Capital Surplus (Notes 11 and 20)	Retained Earnings (Notes 11 and 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT 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 earnings	-	-	-	-	-	-	-
Legal reserve	-	-	664,250	-	(664,250)	-	-
Special reserve	-	-	-	375,018	(375,018)	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-	(300,000)	-	(6,000,000)	-	(6,300,000)
Net profit for the year ended December 31, 2018	-	-	364,250	375,018	(7,039,268)	-	(6,300,000)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5,890,046	-	5,890,046
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	29,501	(357,137)	(327,636)
BALANCE AT DECEMBER 31, 2018	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)	-	(5,301,000)
Cash dividends distributed by the Company - NT\$17.67 per share	-	-	-	-	(5,301,000)	-	(5,301,000)
Change in percentage of associates for using equity method	-	-	589,005	-	(5,890,005)	-	(5,301,000)
Net profit for the year ended December 31, 2019	-	-	-	-	(195,962)	-	(195,962)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	7,281,897	-	7,281,897
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	10,469	(648,866)	(638,397)
Disposal of investments accounted for using equity method	-	-	-	-	7,292,366	(648,866)	6,643,500
BALANCE AT DECEMBER 31, 2019	3,000,000	5,988,968	5,473,169	1,163,895	7,218,124	110,189	21,573,324

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,112,267	\$ 7,676,560
Adjustments for:		
Depreciation expenses	488,296	408,402
Amortization expenses	10,183	7,659
Gain on financial assets at fair value through profit or loss, net	(11,525)	(2,998)
Interest expense	7,954	997
Interest income	(112,800)	(82,859)
Share of profit of associates	(7,511,291)	(6,250,398)
Gain on disposal of property, plant and equipment, net	(2,491)	-
Loss (gain) on disposal of investment, net	(405,519)	2,496
Net foreign exchange loss (gain)	530,185	(93,130)
Recognition (reversal) of inventory purchase commitments	10,797	(5,963)
Warranty costs	127,708	149,410
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(905,056)	549,425
Notes receivable - related parties	(4,219)	1,099
Trade receivables	13,156	7,795
Trade receivables - related parties	265,118	3,758
Other receivables	26,242	71,080
Prepayments	1,446	7,826
Contract liability	(40,011)	(49,032)
Trade payables	(124,888)	91,409
Trade payables - related parties	(537,433)	298,115
Other payables	(56,188)	53,278
Other current liabilities	(72)	(2,453)
Provisions	(136,218)	(149,143)
Net defined benefit liabilities	(84,719)	(29,710)
Cash generated from operations	660,922	2,663,623
Interest paid	(7,954)	(997)
Income tax paid	(1,554,645)	(1,176,415)
Net cash generated from (used in) operating activities	(901,677)	1,486,211
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	7,421,541	5,466,869
Interest received	111,159	79,962
Payments for property, plant and equipment (Note 25)	(736,811)	(622,698)
Proceeds from disposal of property, plant and equipment	5,571	8
Proceeds from disposal of investment properties	1,119,861	-
Decrease in refundable deposits	92,951	2,158
Payments for computer software	(7,201)	(11,929)
Increase in other non-current assets	-	(14,457)
Net cash generated from investing activities	8,007,071	4,899,913

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# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	\$ (5,301,000)	\$ (6,300,000)
Repayment of the principal portion of lease liabilities	<u>(53,613)</u>	<u>-</u>
Cash used in financing activities	<u>(5,354,613)</u>	<u>(6,300,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(208,607)</u>	<u>135,035</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,542,174	221,159
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,043,180</u>	<u>6,822,021</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,585,354</u>	<u>\$ 7,043,180</u>

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

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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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 March 24, 2020.

### **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 lessee's average 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	\$ 11,556
Undiscounted amounts on January 1, 2019	\$ 11,556
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:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting 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**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

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

The consolidated financial statements have been prepared on the historical cost basis except for the 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 the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability



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

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

## **Basis of Consolidation**

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

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

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

See Note 10 and Table 5 for 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 change in the Group's share of equity of associates.

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

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

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

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

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

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

### **Computer Software**

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

### **Impairment of Assets**

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

### **Financial Instruments**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

#### Financial assets

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

##### **a. Measurement categories**

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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 a financial asset. Fair value is determined in the manner described in Note 27.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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 at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using 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 such a financial asset, except for:

- a) 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
- b) Financial assets that are not credit impaired on purchase or origination but 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 in subsequent reporting periods.

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.

b. 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.

c. 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.

Financial liabilities

a. Subsequent measurement

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

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

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

## **Taxation**

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

### **a. Current tax**

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 December 31, 2019 and 2018, the carrying amounts of provisions for warranties were \$143,241 thousand and \$151,751 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Checking accounts and demand deposits	\$ 1,302,525	\$ 526,977
Foreign currency demand deposits	1,214,363	344,320
Cash equivalents		
Foreign currency time deposits	6,061,476	5,684,374
Time deposits	6,990	106,900
Repurchase agreements collateralized by bonds	-	380,609
	<u>\$ 8,585,354</u>	<u>\$ 7,043,180</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Demand deposits and time deposits	0.01%-2.95%	0.08%-3.75%
Repurchase agreements collateralized by bonds	-	3.10%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 1,251,525</u>	<u>\$ 325,129</u>

## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables		
At amortized cost	<u>\$ 18,184</u>	<u>\$ 31,340</u>
Other receivables		
Dividend receivables	\$ 4,261,384	\$ -
Interest receivables	9,356	7,715
Disposal of mutual fund receivables	-	27,926
Others	<u>23,613</u>	<u>21,929</u>
	<u>\$ 4,294,353</u>	<u>\$ 57,570</u>

- 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 no 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.

December 31, 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	\$ 15,210	\$ 2,974	\$ -	\$ -	\$ 18,184
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 15,210</u>	<u>\$ 2,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,184</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>

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 December 31, 2018 and 2019, the other receivables were mainly dividend receivables from the investees:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Guangzhou Aeolus Automobile Co., Ltd.	\$ 3,934,627	\$ -
Aeolus Xiangyang Automobile Co., Ltd.	<u>326,757</u>	<u>-</u>
	<u>\$ 4,261,384</u>	<u>\$ -</u>

**9. INVENTORIES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Parts	<u>\$ -</u>	<u>\$ -</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 was \$27,650,385 thousand, which included warranty costs of \$127,708 thousand and losses on inventory purchase commitments of \$10,797 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 was \$25,931,003 thousand, which included warranty costs of \$147,576 thousand and reversals of losses on inventory purchase commitments of \$5,963 thousand.

## 10. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31	
			2019	2018
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
<u>Material associate</u>		
Guangzhou Aeolus Automobile Co., Ltd.	\$ 9,648,208	\$ 12,088,780
<u>Associates that are not individually material</u>		
Aeolus Xiangyang Automobile Co., Ltd.	1,059,999	2,016,228
Shenzhen Lan You Technology Co., Ltd.	-	790,455
Aeolus Automobile Co., Ltd.	-	732,038
Dong Feng Yulon Used Cars Co., Ltd.	-	2,225
	<u>1,059,999</u>	<u>3,540,946</u>
	<u>\$ 10,708,207</u>	<u>\$ 15,629,726</u>

### a. Material associate

Company Name	Main Business	Location	Proportion of Ownership and Voting Rights December 31	
			2019	2018
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	Guangdong Province	42.69%	40.00%

On January 28, 2019, the board of directors of the Company approved to increase the shareholding in the indirect investment in Guangzhou Aeolus Automobile Co., Ltd. On April 29, 2019, Jetford Inc. approved to increase the shareholding in the investment in Guangzhou Aeolus Automobile Co., Ltd. by RMB272,565 thousand (NT\$1,170,977 thousand), recorded in other payables. On August 31, 2019, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage, and increased its interest from 40% to 42.69%, and debited retained earnings by \$195,962 thousand.

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.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 8,629,627	\$ 8,936,868
Non-current assets	36,524,641	33,304,304
Current liabilities	(18,623,129)	(8,195,550)
Non-current liabilities	<u>(3,818,242)</u>	<u>(3,823,671)</u>
Equity	\$ <u>22,712,897</u>	\$ <u>30,221,951</u>
Equity attributable to the Group	\$ 9,696,136	\$ 12,088,780
Deferred gain on disposal of investment	<u>(47,928)</u>	<u>-</u>
Carrying amount	\$ <u>9,648,208</u>	\$ <u>12,088,780</u>
<b>For the Year Ended December 31</b>		
	<b>2019</b>	<b>2018</b>
Revenue	\$ <u>35,575,803</u>	\$ <u>33,421,440</u>
Net profit for the period	\$ <u>16,610,604</u>	\$ <u>13,791,934</u>
Dividends received from Guangzhou Aeolus Automobile Co., Ltd.	\$ <u>5,654,640</u>	\$ <u>5,466,869</u>

- b. Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Net profit for the period	\$ 701,842	\$ 733,625
Other comprehensive income	<u>(51)</u>	<u>(67)</u>
Total comprehensive income for the period	\$ <u>701,791</u>	\$ <u>733,558</u>

On January 28, 2019, the board of directors of the Company approved to dispose of the shareholdings in the indirect investment in Aeolus Automobile Co., Ltd., Dong Feng Yulon Used Cars Co., Ltd. and Shenzhen Lan You Technology Co., Ltd. On April 29, 2019, Jetford Inc. approved to dispose of the shareholdings in the investment in Aeolus Automobile Co., Ltd., Dong Feng Yulon Used Cars Co., Ltd. and Shenzhen Lan You Technology Co., Ltd. at the price of RMB7,424 thousand, RMB156,177 thousand and RMB108,964 thousand, respectively, or total of RMB272,565 thousand (NT\$1,170,977 thousand), recorded in other payables. The dates of the transactions were August 31, 2019, August 31, 2019 and September 30, 2019, respectively.

This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

	US\$	NT\$
Proceeds of disposal	\$ 38,492	\$ 1,170,977
Plus: Capital surplus transferred to profit or loss	4,813	140,437
Less: Carrying amount of investment on the date of loss of significant influence	(23,686)	(742,674)
Less: Share of other comprehensive income of the associate	(3,529)	(110,189)
Less: Tax expense in China from equity transaction	<u>(1,690)</u>	<u>(51,116)</u>
	14,400	407,435
Deferred gain on disposal of investment	(1,599)	(47,928)
Adjustment to exchange rate changes	<u>-</u>	<u>36,197</u>
Gain recognized	<u>\$ 12,801</u>	<u>\$ 395,704</u>

c. Other information

The investments accounted for using equity method and the share of profit of those investments at 2019 and 2018 were 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	594,959	106,410	2,559	16,899	590	-	-	968	722,385
Reclassification	(67)	-	-	67	-	-	-	-	-
Disposals	<u>(1,848,485)</u>	<u>(330,764)</u>	<u>(3,478)</u>	<u>(12,852)</u>	<u>-</u>	<u>(2,312)</u>	<u>-</u>	<u>-</u>	<u>(2,197,891)</u>
Balance at December 31, 2018	<u>\$ 3,571,240</u>	<u>\$ 676,081</u>	<u>\$ 81,664</u>	<u>\$ 181,753</u>	<u>\$ 19,612</u>	<u>\$ 4,350</u>	<u>\$ 4,393</u>	<u>\$ 6,662</u>	<u>\$ 4,545,755</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	(321,959)	(57,884)	(6,689)	(18,041)	(2,730)	(169)	(879)	(51)	(408,402)
Disposals	<u>1,848,485</u>	<u>330,764</u>	<u>3,470</u>	<u>12,852</u>	<u>-</u>	<u>2,312</u>	<u>-</u>	<u>-</u>	<u>2,197,883</u>
Balance at December 31, 2018	<u>\$ (2,128,804)</u>	<u>\$ (410,601)</u>	<u>\$ (67,361)</u>	<u>\$ (123,428)</u>	<u>\$ (9,599)</u>	<u>\$ (4,058)</u>	<u>\$ (3,002)</u>	<u>\$ (5,702)</u>	<u>\$ (2,752,555)</u>
Carrying amount, net, December 31, 2018	<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>
<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	363,778	126,733	2,399	55,707	-	-	23,995	2,093	574,705
Disposals	<u>(275,521)</u>	<u>(52,244)</u>	<u>(19,433)</u>	<u>(4,205)</u>	<u>(8,047)</u>	<u>(629)</u>	<u>-</u>	<u>(225)</u>	<u>(360,304)</u>
Balance at December 31, 2019	<u>\$ 3,659,497</u>	<u>\$ 750,570</u>	<u>\$ 64,630</u>	<u>\$ 233,255</u>	<u>\$ 11,565</u>	<u>\$ 3,721</u>	<u>\$ 28,388</u>	<u>\$ 8,530</u>	<u>\$ 4,760,156</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	(343,277)	(60,073)	(5,668)	(16,030)	(2,394)	(132)	(2,668)	(303)	(430,545)
Disposals	<u>275,521</u>	<u>52,244</u>	<u>19,433</u>	<u>4,205</u>	<u>4,967</u>	<u>629</u>	<u>-</u>	<u>225</u>	<u>357,224</u>
Balance at December 31, 2019	<u>\$ (2,196,560)</u>	<u>\$ (418,430)</u>	<u>\$ (53,596)</u>	<u>\$ (135,253)</u>	<u>\$ (7,026)</u>	<u>\$ (3,561)</u>	<u>\$ (5,670)</u>	<u>\$ (5,780)</u>	<u>\$ (2,825,876)</u>
Carrying amount, net, December 31, 2019	<u>\$ 1,462,937</u>	<u>\$ 332,140</u>	<u>\$ 11,034</u>	<u>\$ 98,002</u>	<u>\$ 4,539</u>	<u>\$ 160</u>	<u>\$ 22,718</u>	<u>\$ 2,750</u>	<u>\$ 1,934,280</u>

There were no signs of impairment losses of assets for the years ended December 31, 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

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ 716,970
Transportation equipment	<u>12,973</u>
	<u>\$ 729,943</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 7,969</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 49,714
Transportation equipment	<u>8,037</u>
	<u>\$ 57,751</u>

#### b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 54,190</u>
Non-current	<u>\$ 670,159</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 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 Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 10,201</u>
Total cash outflow for leases	<u>\$ (70,693)</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>
Not later than 1 year	\$ 2,311
Later than 1 year and not later than 3 years	<u>9,245</u>
	<u>\$ 11,556</u>

#### 14. COMPUTER SOFTWARE

	Amount
<u>Cost</u>	
Balance at January 1, 2018	\$ 25,302
Additions	11,929
Disposals	<u>(1,975)</u>
Balance at December 31, 2018	<u>\$ 35,256</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ (4,420)
Amortization expenses	(7,659)
Disposals	<u>1,975</u>
Balance at December 31, 2018	<u>\$ (10,104)</u>
Carrying amount at December 31, 2018	<u>\$ 25,152</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 35,256
Additions	7,201
Disposals	<u>(1,736)</u>
Balance at December 31, 2019	<u>\$ 40,721</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ (10,104)
Amortization expenses	(10,183)
Disposals	<u>1,736</u>
Balance at December 31, 2019	<u>\$ (18,551)</u>
Carrying amount at December 31, 2019	<u>\$ 22,170</u>

There were no signs of impairment losses of assets for the years ended December 31, 2019 and 2018; therefore, the Group did not assess for impairment.

#### 15. OTHER NON-CURRENT ASSETS

	<u>December 31</u>	
	2019	2018
Refundable deposits (Note 28)	\$ 3,466	\$ 96,417
Prepayments for equipment	40,392	45,935
Others	<u>28,913</u>	<u>28,913</u>
	<u>\$ 72,771</u>	<u>\$ 171,265</u>

## 16. OTHER PAYABLES

	December 31	
	2019	2018
Investments (Note 11)	\$ 1,170,977	\$ -
Advertising and promotion fees	550,213	508,237
Salaries and bonuses	280,765	310,139
Taxes	30,033	9,175
Others	<u>63,907</u>	<u>153,555</u>
	<u>\$ 2,095,895</u>	<u>\$ 981,106</u>

## 17. PROVISIONS

	December 31	
	2019	2018
Current		
Inventory purchase commitments	\$ 108,559	\$ 97,762
Warranties	<u>82,682</u>	<u>90,387</u>
	<u>\$ 191,241</u>	<u>\$ 188,149</u>
Non-current		
Warranties	<u>\$ 60,559</u>	<u>\$ 61,364</u>

	Inventory Purchase Commitments	Warranties	Total
Balance at January 1, 2018	\$ 103,725	\$ 151,484	\$ 255,209
Additional provisions recognized (reversed)	(5,963)	147,576	141,613
Paid	<u>-</u>	<u>(147,309)</u>	<u>(147,309)</u>
Balance at December 31, 2018	<u>\$ 97,762</u>	<u>\$ 151,751</u>	<u>\$ 249,513</u>
Balance at January 1, 2019	\$ 97,762	\$ 151,751	\$ 249,513
Additional provisions recognized	10,797	127,708	138,505
Paid	<u>-</u>	<u>(136,218)</u>	<u>(136,218)</u>
Balance at December 31, 2019	<u>\$ 108,559</u>	<u>\$ 143,241</u>	<u>\$ 251,800</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

	December 31	
	2019	2018
Current		
Withholding	\$ 3,173	\$ 3,087
Others	<u>1,434</u>	<u>1,592</u>
	<u>\$ 4,607</u>	<u>\$ 4,679</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 years ended December 31, 2019 and 2018 was \$15,332 thousand and \$14,825 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

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

	For the Year Ended December 31	
	2019	2018
Selling and marketing expenses	\$ 5,600	\$ 4,836
General and administrative expenses	4,841	4,566
Research and development expenses	4,799	5,271
Non-operating expenses	<u>92</u>	<u>152</u>
	<u>\$ 15,332</u>	<u>\$ 14,825</u>

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of December 31, 2019; therefore, the subsidiaries had no pension plan for employees.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of funded defined benefit obligation	\$ 483,850	\$ 545,797
Fair value of plan assets	<u>(251,825)</u>	<u>(215,916)</u>
Deficit	<u>\$ 232,025</u>	<u>\$ 329,881</u>
Net defined benefit liabilities	<u>\$ 232,025</u>	<u>\$ 329,881</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2018	<u>\$ 597,831</u>	<u>\$ (205,206)</u>	<u>\$ 392,625</u>
Service cost			
Current service cost	5,362	-	5,362
Net interest expense (income)	<u>6,726</u>	<u>(2,346)</u>	<u>4,380</u>
Recognized in profit or loss	<u>12,088</u>	<u>(2,346)</u>	<u>9,742</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,787)	(5,787)
Actuarial loss - changes in demographic assumptions	7,954	-	7,954
Actuarial loss - changes in financial assumptions	6,471	-	6,471
Actuarial gain - experience adjustments	<u>(41,672)</u>	<u>-</u>	<u>(41,672)</u>
Recognized in other comprehensive income	<u>(27,247)</u>	<u>(5,787)</u>	<u>(33,034)</u>
Contributions from the employer	<u>-</u>	<u>(24,052)</u>	<u>(24,052)</u>
Benefits paid	<u>(21,475)</u>	<u>21,475</u>	<u>-</u>
Payment from the employer	<u>(15,400)</u>	<u>-</u>	<u>(15,400)</u>
Balance at December 31, 2018	<u>\$ 545,797</u>	<u>\$ (215,916)</u>	<u>\$ 329,881</u>
Balance at January 1, 2019	<u>\$ 545,797</u>	<u>\$ (215,916)</u>	<u>\$ 329,881</u>
Service cost			
Current service cost	4,667	-	4,667
Net interest expense (income)	<u>5,444</u>	<u>(2,180)</u>	<u>3,264</u>
Recognized in profit or loss	<u>10,111</u>	<u>(2,180)</u>	<u>7,931</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,936)	(7,936)
Actuarial loss - changes in demographic assumptions	103	-	103
Actuarial loss - changes in financial assumptions	11,219	-	11,219
Actuarial gain - experience adjustments	<u>(16,523)</u>	<u>-</u>	<u>(16,523)</u>
Recognized in other comprehensive income	<u>(5,201)</u>	<u>(7,936)</u>	<u>(13,137)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (35,346)	\$ (35,346)
Benefits paid	(9,553)	9,553	-
Payment from the employer	(57,304)	-	(57,304)
Balance at December 31, 2019	<u>\$ 483,850</u>	<u>\$ (251,825)</u>	<u>\$ 232,025</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Selling and marketing expenses	\$ 2,664	\$ 2,230
General and administrative expenses	2,416	3,334
Research and development expenses	2,725	3,896
Non-operating expenses	<u>126</u>	<u>282</u>
	<u>\$ 7,931</u>	<u>\$ 9,742</u>

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (11,219)</u>	<u>\$ (13,002)</u>
0.25% decrease	<u>\$ 11,614</u>	<u>\$ 13,472</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 11,218</u>	<u>\$ 13,048</u>
0.25% decrease	<u>\$ (10,896)</u>	<u>\$ (12,661)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 25,314</u>	<u>\$ 6,834</u>
The average duration of the defined benefit obligation	9.5 years	9.8 years

## 20. EQUITY

### a. Capital surplus

	December 31	
	2019	2018
Excess from spin-off	\$ 5,986,507	\$ 5,986,507
Generated from investments accounted for using equity method	<u>2,461</u>	<u>142,898</u>
	<u>\$ 5,988,968</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 capital stock (limited to a certain percentage of the Company's capital surplus and to once a year).

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

### b. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on the distribution of employees' compensation after the amendment, refer to Note 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 approved in the stockholders' meetings on June 28, 2019 and June 21, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 589,005	\$ 664,250		
Special reserve	-	375,018		
Cash dividends	5,301,000	6,000,000	\$17.67	\$20.00

## 21. REVENUE

### a. Contact balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable - related parties (Note 28)	<u>\$ 4,732</u>	<u>\$ 513</u>	<u>\$ 1,612</u>
Trade receivables (Note 8)	<u>\$ 18,184</u>	<u>\$ 31,340</u>	<u>\$ 39,135</u>
Trade receivables - related parties (Note 28)	<u>\$ 334,653</u>	<u>\$ 724,150</u>	<u>\$ 476,168</u>
Contract liabilities			
Designing and performing R&D of cars (Note 28)	\$ 33,029	\$ 50,553	\$ 50,311
Sale of goods	-	-	476
Others	-	-	8,265
Contract liabilities - current	<u>33,029</u>	<u>50,553</u>	<u>59,052</u>
Designing and performing R&D of cars (Note 28)	-	22,487	63,020
Contract liabilities - non-current	-	22,487	63,020
	<u>\$ 33,029</u>	<u>\$ 73,040</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 Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
From the beginning contract liability		
Designing and performing R&D of cars	<u>\$ 40,011</u>	<u>\$ 40,292</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>December 31</b>	
	<b>2019</b>	<b>2018</b>
Designing and performing R&D of cars		
- in 2020	<u>\$ 33,029</u>	<u>\$ 50,553</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 Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gains on disposal of property, plant and equipment	<u>\$ 2,491</u>	<u>\$ -</u>

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 403,350	\$ 379,843
Operating expenses	<u>84,946</u>	<u>28,559</u>
	<u>\$ 488,296</u>	<u>\$ 408,402</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 10,183</u>	<u>\$ 7,659</u>

c. Technical cooperation agreement

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ <u>564,624</u>	\$ <u>518,704</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 Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 15,332	\$ 14,825
Defined benefit plans	<u>7,931</u>	<u>9,742</u>
	<u>23,263</u>	<u>24,567</u>
Labor and health insurance	39,220	39,890
Salary	512,222	560,231
Remuneration of directors	13,200	14,467
Other employee benefits	<u>51,514</u>	<u>51,638</u>
	<u>616,156</u>	<u>666,226</u>
Total employee benefits expense	\$ <u>639,419</u>	\$ <u>690,793</u>
An analysis of employee benefits expense by function		
Operating expenses	\$ 639,201	\$ 690,359
Non-operating expenses	<u>218</u>	<u>434</u>
	<u>\$ 639,419</u>	<u>\$ 690,793</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 years ended December 31, 2019 and 2018, which have been approved by the Company’s board of directors on March 24, 2020 and March 22, 2019, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees’ compensation	0.10%	0.10%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees’ compensation	\$ 9,121	\$ 7,684

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

There was no difference between the actual amounts of employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation resolved by the Company's board of directors in 2020 and 2019 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 Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 150,352	\$ 148,716
Foreign exchange losses	<u>(428,125)</u>	<u>(132,658)</u>
Net profit (loss)	<u>\$ (277,773)</u>	<u>\$ 16,058</u>

g. Gain or loss on disposal of investments, net

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gains on disposal of investments	\$ 409,095	\$ 13,412
Losses on disposal of investments	<u>(3,576)</u>	<u>(15,908)</u>
Net profit (loss)	<u>\$ 405,519</u>	<u>\$ (2,496)</u>

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 1,389,210	\$ 1,384,645
Income tax on unappropriated earnings	1,477	-
Adjustments for prior years	8,549	604
Deferred tax		
In respect of the current year	431,134	153,769
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>247,496</u>
Income tax expense recognized in profit or loss	<u>\$ 1,830,370</u>	<u>\$ 1,786,514</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 9,112,267</u>	<u>\$ 7,676,560</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,822,453	\$ 1,535,312
Adjustments of expenses in determining taxable income	2,159	3,701
Tax-exempt income	(4,268)	(599)
Income tax on unappropriated earnings	1,477	-
Adjustments to deferred tax attributable to changes in tax rates and laws	-	247,496
Adjustments for prior years' tax	<u>8,549</u>	<u>604</u>
Income tax expense recognized in profit or loss	<u>\$ 1,830,370</u>	<u>\$ 1,786,514</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was 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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ 3,128
In respect of the current year		
Share of other comprehensive income of subsidiary accounted for using equity method	10	13
Remeasurement on defined benefit plans	<u>(2,627)</u>	<u>(6,607)</u>
Recognized in other comprehensive income (loss)	<u>\$ (2,617)</u>	<u>\$ (3,466)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 706,161</u>	<u>\$ 648,662</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 67,028	\$ 2,774	\$ (3,494)	\$ 66,308
Provisions for warranties	25,753	4,598	-	30,351
Provisions for loss on inventory purchase commitments	17,634	1,919	-	19,553
Unrealized exchange loss, net	16,561	(16,561)	-	-
Share of other comprehensive loss of associates accounted for using equity method	84	-	28	112
	<u>\$ 127,060</u>	<u>\$ (7,270)</u>	<u>\$ (3,466)</u>	<u>\$ 116,324</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of subsidiaries	\$ 1,511,815	\$ 382,378	\$ -	\$ 1,894,193
Unrealized exchange gain, net	-	11,617	-	11,617
	<u>\$ 1,511,815</u>	<u>\$ 393,995</u>	<u>\$ -</u>	<u>\$ 1,905,810</u>

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 66,308	\$ (16,942)	\$ (2,627)	\$ 46,739
Provisions for warranties	30,351	(1,703)	-	28,648
Provisions for loss on inventory purchase commitments	19,553	2,159	-	21,712
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
Unrealized exchange loss, net	\$ -	\$ 9,706	\$ -	\$ 9,706
Share of other comprehensive loss of associates accounted for using equity method	<u>112</u>	<u>-</u>	<u>10</u>	<u>122</u>
	<u>\$ 116,324</u>	<u>\$ (6,780)</u>	<u>\$ (2,617)</u>	<u>\$ 106,927</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of subsidiaries	\$ 1,894,193	\$ 435,971	\$ -	\$ 2,330,164
Unrealized exchange gain, net	<u>11,617</u>	<u>(11,617)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,905,810</u>	<u>\$ 424,354</u>	<u>\$ -</u>	<u>\$ 2,330,164</u> (Concluded)

e. Income tax assessments

The Company's tax returns through 2017 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 Year

	<u>For the Year Ended December 31</u>	
	2019	2018
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 7,281,897</u>	<u>\$ 5,890,046</u>

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted-average number of common stock in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive common stock:		
Employees' compensation	<u>23</u>	<u>24</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,023</u>	<u>300,024</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, as the effect is dilutive. Such dilutive effect of the potential stocks is 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. CASH FLOWS INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 574,705	\$ 722,385
Net changes of prepayment for equipment	(5,543)	29,962
Net changes of trade payables	<u>167,649</u>	<u>(129,649)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 736,811</u>	<u>\$ 622,698</u>

### b. Changes in liabilities arising from financing activities

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>New Leases</b>	<b>December 31, 2019</b>
Lease liabilities (Note 3)	<u>\$ 769,993</u>	<u>\$ (53,613)</u>	<u>\$ 7,969</u>	<u>\$ 724,349</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 values.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual funds	\$ 1,251,525	\$ -	\$ -	\$ 1,251,525
Trade receivables - related parties	-	-	34,371	34,371
	<u>\$ 1,251,525</u>	<u>\$ -</u>	<u>\$ 34,371</u>	<u>\$ 1,285,896</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	-	-	31,282	31,282
	<u>\$ 325,129</u>	<u>\$ -</u>	<u>\$ 31,282</u>	<u>\$ 356,411</u>

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

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

The fair value of mutual funds traded on active market is the net asset value on the balance sheet date. If there is no market price, the fair value is determined by the redemption value. The estimates and assumptions used by the Group 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

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	\$ 1,285,896	\$ 356,411
Loans and receivables (Note 1)	13,497,239	7,995,426
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	2,435,182	2,120,989

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 trade payables and part of other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

The Group is mainly exposed to the RMB, U.S. 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>RMB</b>		<b>U.S. Dollar</b>		<b>Japan Yen</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Gain (loss)	\$ (348,654)	\$ (284,368)	\$ (14,563)	\$ (35,520)	\$ (1,185)	\$ (1,051)

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:

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 6,064,447	\$ 6,066,522
Financial liabilities	724,349	-
Cash flows interest rate risk		
Financial assets	2,520,907	976,658
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 years ended December 31, 2019 would increase/decrease by \$6,302 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 years ended December 31, 2018 would decrease/increase by \$2,442 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 49% and 76% in total trade receivables as of December 31, 2019 and 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 December 31, 2019 and 2018, the available unutilized borrowings facilities were \$3,200,000 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.

December 31, 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	\$ 2,351,470	\$ 75,271	\$ 8,441	\$ -	\$ -
Lease liabilities	<u>5,173</u>	<u>10,345</u>	<u>45,086</u>	<u>166,482</u>	<u>577,390</u>
	<u>\$ 2,356,643</u>	<u>\$ 85,616</u>	<u>\$ 53,527</u>	<u>\$ 166,482</u>	<u>\$ 577,390</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>\$ 60,604</u>	<u>\$ 166,482</u>	<u>\$ 165,211</u>	<u>\$ 156,843</u>	<u>\$ 122,872</u>	<u>\$ 132,464</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>

## 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

<b>Related Party</b>	<b>Relationship with the Group</b>
Investors that have significant influence over the Group	
Nissan Motor Corporation ("Nissan")	Equity-method investor of the Company
Yulon Motor Co., Ltd. ("Yulon")	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Trading Europe Ltd.	Same as above
Nissan Trading (Thailand) Co., Ltd.	Same as above
Nissan Trading China Co., Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above

(Continued)



Related Party	Relationship with the Group
Nissan Import Egypt, Ltd.	Subsidiary of Nissan
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 Creative Service Co., Ltd.	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 Motor Co., Ltd.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Shenzhen DFS Industrial Group Co., Ltd.	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
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Nawa 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

(Continued)

Related Party	Relationship with the Group
Le-Wen Co., Ltd.	Substantial related party of Yulon
Visionary International Consulting Co., Ltd.	Same as above
Tai Yuen Textile Co., Ltd.	Same as above
San Long Industrial Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singgual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Shinshin Credit Corporation	Subsidiary of Taiwan Acceptance Corporation
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Sub-subsidiary of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
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.	Investee of Yu Sing Motor Co., Ltd.
Fengye Leasing Co., Ltd.	Subsidiary of CL Skylite Trading Co., Ltd.
Associates	
Guangzhou Aeolus Automobile Co., Ltd.	Associates of the Group

(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><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>Sales</u>		
Taiwan Acceptance Corporation	\$ 28,264,976	\$ 27,315,091
Investors that have significant influence	10,433	13,917
Other parties	<u>3,441,369</u>	<u>3,352,595</u>
	<u>\$ 31,716,778</u>	<u>\$ 30,681,603</u>
<u>Service revenue</u>		
Nissan	\$ 229,304	\$ 21,074
Autech Japan, Inc.	<u>40,011</u>	<u>38,884</u>
	<u>\$ 269,315</u>	<u>\$ 59,958</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>Other operating revenue</u>		
Yulon	\$ 21,393	\$ 23,383
Other parties	<u>52,792</u>	<u>50,304</u>
	<u>\$ 74,185</u>	<u>\$ 73,687</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>Operating costs - purchases</u>		
Yulon	\$ 26,193,544	\$ 24,542,096
Investors that have significant influence	23,439	20,578
Other parties	<u>34,520</u>	<u>25,575</u>
	<u>\$ 26,251,503</u>	<u>\$ 24,588,249</u>
<u>Operating costs - TCA</u>		
Nissan	\$ 485,935	\$ 432,691
Autech Japan, Inc.	<u>78,689</u>	<u>86,013</u>
	<u>\$ 564,624</u>	<u>\$ 518,704</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Selling and marketing expenses</u>		
Yu Ming Motor Co., Ltd.	\$ 259,634	\$ 285,135
Yu Chang Motor Co., Ltd.	236,599	263,433
Investors that have significant influence	17,626	13,925
Other parties	<u>1,187,042</u>	<u>1,302,981</u>
	<u>\$ 1,700,901</u>	<u>\$ 1,865,474</u>
<u>General and administrative expenses</u>		
Yulon Management Co., Ltd.	\$ 174,687	\$ 175,969
Investors that have significant influence	19,667	15,174
Other parties	<u>11,543</u>	<u>7,099</u>
	<u>\$ 205,897</u>	<u>\$ 198,242</u>
<u>Research and development expenses</u>		
Yulon	\$ 60,484	\$ 91,568
Investors that have significant influence	9,598	27,424
Other parties	<u>18,108</u>	<u>16,656</u>
	<u>\$ 88,190</u>	<u>\$ 135,648</u>

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

General and administrative expenses are payments to Yulon Management Co., Ltd. for consulting, labor dispatch and IT services.

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Nissan	\$ 5,447	\$ -
Other parties	<u>12,805</u>	<u>68,898</u>
	<u>\$ 18,252</u>	<u>\$ 68,898</u>

Sales of property, plant and equipment to related parties are detailed as follows:

	<b>Proceeds</b>		<b>Gain (Loss) on Disposal</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Yu Sing Motor Co., Ltd.	<u>\$ 5,238</u>	<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ -</u>

2) Non-operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Other revenues</u>		
Tokio Marine Newa Insurance Co., Ltd.	\$ <u>1,229</u>	\$ <u>1,579</u>
<u>Overseas business expenses</u>		
Yulon Management Co., Ltd.	\$ <u>4,324</u>	\$ <u>4,661</u>

3) Receivables from related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Notes receivable</u>		
Yushin Motor Co., Ltd.	\$ 146	\$ 53
Yuan Lon Motor Co., Ltd.	<u>4,586</u>	<u>460</u>
	\$ <u>4,732</u>	\$ <u>513</u>
<u>Trade receivables</u>		
Taiwan Acceptance Corporation	\$ 252,472	\$ 615,806
Yulon	207,374	88,288
Investors that have significant influence	33,725	10,630
Other parties	<u>135,866</u>	<u>179,381</u>
	\$ <u>628,987</u>	\$ <u>894,105</u>

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

Trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on trade receivables from related parties.

The total accounts receivable related to revenue from contracts with customers as of December 31, 2019, December 31, 2018 and January 1, 2018 were \$334,653 thousand, \$724,150 thousand and \$476,168 thousand.

As of December 31, 2019, the balance of trade receivables from related parties includes \$34,371 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>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Trade payables</u>		
Yulon	\$ 292,621	\$ 811,332
Nissan	140,613	120,917
Other parties	<u>164,912</u>	<u>370,979</u>
	<u>\$ 598,146</u>	<u>\$ 1,303,228</u>

Trade payables to related parties are unsecured.

5) Refundable deposits

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

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

6) Prepayments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Yulon	<u>\$ -</u>	<u>\$ 9,732</u>

Prepayments to Yulon are for office rental.

7) Contract liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Autech Japan, Inc.	<u>\$ 33,029</u>	<u>\$ 73,040</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

2019

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 ended December 31, 2019.

**For the Year  
Ended  
December 31,  
2019**

Acquisitions of right-of-use assets

Yulon	\$ 766,684
Other parties	<u>21,010</u>
	<u>\$ 787,694</u>

The right-of-use assets acquired from January 1 to December 31, 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.

**December 31,  
2019**

Lease liabilities

Yulon	\$ 711,510
Other parties	<u>12,839</u>
	<u>\$ 724,349</u>

**For the Year  
Ended  
December 31,  
2019**

Interest expense

Yulon	\$ 6,747
Other parties	<u>132</u>
	<u>\$ 6,879</u>

Lease expense

Yulon	\$ 7,329
Ka-Plus Automobile Leasing Co., Ltd.	1,656
Other parties	<u>1,216</u>
	<u>\$ 10,201</u>

Short-term lease payments to be paid in the future are as follows:

	<b>December 31, 2019</b>
No later than 1 year	\$ 2,311
Later than 1 year and not later than 3 years	<u>6,934</u>
	<u>\$ 9,245</u>

2018

**For the Year  
Ended  
December 31,  
2018**

Rent expense

Yulon	\$ 59,431
Ka-Plus Automobile Leasing Co., Ltd.	8,233
Other parties	<u>4,409</u>
	<u>\$ 72,073</u>

The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, and cars for its executives for the year ended December 31, 2018.

9) Disposal of financial assets

For the year ended December 31, 2019

Related Party Category/Name	Line Item	Underlying Assets	Proceeds	Gain on Disposal
Shenzhen DFS Industrial Group Co., Ltd.	Investments accounted for using equity method	Shenzhen Lan You Technology Co., Ltd.	\$ 468,125	\$ 309,291
Guangzhou Aeolus Automobile Co., Ltd.	Investments accounted for using equity method	Aeolus Automobile Co., Ltd.	670,959	57,513
Dongfeng Motor Co., Ltd.	Investments accounted for using equity method	Dongfeng Yulon Used Cars Co., Ltd.	<u>31,893</u>	<u>28,900</u>
			<u>\$ 1,170,977</u>	<u>\$ 395,704</u>

c. Compensation of key management personnel

	<b>For the Year Ended December 31 2019</b>	<b>2018</b>
Short-term employee benefits	\$ 33,935	\$ 38,670
Post-employment benefits	<u>2,072</u>	<u>2,485</u>
	<u>\$ 36,007</u>	<u>\$ 41,155</u>

The remuneration of directors and key executives was determined by the remuneration committee based on 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 \$2,000,392 thousand and \$1,953,041 thousand in the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company had received \$1,966,021 thousand and \$1,921,759 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 interest rate intervals of the Company's trade receivables sold to Taiwan Acceptance Corporation for the years ended December 31, 2019 and 2018 were 2.39%-2.41% and 2.32%-2.33%; and the interest expenses recognized were \$1,075 thousand and \$997 thousand, respectively.

As of December 31, 2019, the unreceived amount of the abovementioned receivables sold was \$34,371 thousand. The Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale resulted in the derecognition of these trade receivables because the Company transferred the significant risks and rewards relating to the accounts. 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 tax), which was originally \$1,080,206 thousand (excluding tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in November and December 2016 was \$262,139 thousand (excluding tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total amount of contract newly-signed in December 2019 was \$27,744 thousand (excluding tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total amount of contract newly-signed in April and June 2019 was \$89,360 thousand (excluding tax), and the installment payments will be disbursed according to the progress under the contract schedule. As of December 31, 2019, the Company had already paid the contract amount in full, recognized as property, plant and equipment. Besides, within the contract period, before the end of January of every year, the Company should pay Diamond Leasing Service Co., Ltd., the amount of \$2.6 for every ten thousand dollars of the accumulated amount 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 tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August and October 2018 was \$142,071 thousand (excluding tax). The total amount of contract newly-signed in April and June 2019 was \$126,059 thousand (excluding of tax). As of December 31, 2019, the Company had already paid the contract amount in full, recognized as property, plant and equipment. Besides, within the contract period, before the end of January of every year, the Company should pay Shinshin Credit Corporation the amount of \$2.6 for every ten thousand dollars of the accumulated amount 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 tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August and October 2018 was \$140,440 thousand (excluding tax). The total amount of contract newly-signed in April and June 2019 was \$125,149 thousand (excluding tax). As of December 31, 2019, the Company had already paid the contract amount in full, recognized as property, plant and equipment. Besides, within the contract period, before the end of January of every year, the Company should pay Sinjang Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount 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 tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August 2018 was \$41,616 thousand (excluding tax). As of December 31, 2018, the Company had already paid the contract amount in full, recognized as property, plant and equipment. Besides, within the contract period, before the end of January of every year, the Company should pay Chan Yun Technology Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount 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 December 31, 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 December 31, 2019, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	December 31	
	2019	2018
Acquisition of property, plant, and equipment	\$ 102,782	\$ 41,891

### 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)

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 811,507	4.3050 (RMB:NTD)	\$ 3,493,538
USD	9,715	29.980 (USD:NTD)	291,256
RMB	809,929	0.1433 (RMB:USD)	3,479,536
JPY	85,959	0.2760 (JPY:NTD)	<u>23,725</u>
			<u>\$ 7,288,055</u>
Non-monetary items			
USD	357,178	29.980 (USD:NTD)	<u>\$ 10,708,207</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	64	0.2760 (JPY:NTD)	<u>\$ 18</u>

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<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>
Non-monetary items			
USD	528,863	30.715 (USD:NTD)	<u>\$ 15,629,726</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	101	0.2782 (JPY:NTD)	<u>\$ 28</u>

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

For the Year Ended December 31				
2019			2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4.4720 (RMB:NTD)	\$ 80,742	4.5600 (RMB:NTD)	\$ 83,355
RMB	0.1450 (RMB:USD)	(360,421)	0.1512 (RMB:USD)	(111,423)
USD	30.912 (USD:NTD)	2,475	30.149 (USD:NTD)	42,356
JPY	0.2837 (JPY:NTD)	<u>(569)</u>	0.2730 (JPY:NTD)	<u>1,770</u>
		<u>\$ (277,773)</u>		<u>\$ 16,058</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 costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of 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
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - The amount of property transactions and the amount of the resultant gains or losses.
  - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - 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 Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Vehicle segment	\$ 28,312,770	\$ 27,409,358	\$ 1,067,939	\$ 1,146,818
Part segment	3,832,416	3,701,860	662,117	646,972
Investment segment	-	-	7,504,222	6,240,242
Other segment	<u>353,421</u>	<u>146,512</u>	<u>(355,419)</u>	<u>(441,427)</u>
	<u>\$ 32,498,607</u>	<u>\$ 31,257,730</u>	8,878,859	7,592,605
Gain on disposal of property, plant and equipment			2,491	-
Interest income			112,800	82,859
Gain on financial assets at fair value through profit or loss, net			11,525	2,998

(Continued)

	Revenue		Profit Before Tax	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Foreign exchange gain (loss), net			\$ (277,773)	\$ 16,058
Interest expense			(7,954)	(997)
Gain (loss) on disposal of investments, net			405,519	(2,496)
Central administration costs			<u>(13,200)</u>	<u>(14,467)</u>
Profit before tax			<u>\$ 9,112,267</u>	<u>\$ 7,676,560</u> (Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2019 and 2018.

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

b. Segment total assets

	December 31	
	2019	2018
Vehicle segment	\$ 1,796,104	\$ 1,712,832
Part segment	29,469	17,941
Investment segment	14,969,591	15,629,726
Other segment	<u>108,707</u>	<u>62,427</u>
	16,903,871	17,422,926
Unallocated assets	<u>11,667,535</u>	<u>8,676,821</u>
Consolidated total assets	<u>\$ 28,571,406</u>	<u>\$ 26,099,747</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2019	2018
Vehicles	\$ 28,312,770	\$ 27,409,358
Parts	3,832,416	3,701,860
Others	<u>353,421</u>	<u>146,512</u>
	<u>\$ 32,498,607</u>	<u>\$ 31,257,730</u>

d. Geographical information

The Group's revenues from external customers by location of operations are detailed below.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Domestic	\$ 32,077,267	\$ 31,044,202
Overseas	<u>421,340</u>	<u>213,528</u>
	<u>\$ 32,498,607</u>	<u>\$ 31,257,730</u>

The Group's non-current assets by location of assets are detailed below.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Domestic	\$ 2,759,164	\$ 1,989,617
Overseas	<u>-</u>	<u>-</u>
	<u>\$ 2,759,164</u>	<u>\$ 1,989,617</u>

e. Information about major customers

The Group's revenue from major customers is detailed below.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Certain customer from the vehicle segment	<u>\$ 28,264,976</u>	<u>\$ 27,315,091</u>

No other single customers contributed 10% or more to the Group's revenue for the years ended December 31, 2019 and 2018.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2019			Note
				Stocks (Thousands)	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates	-	Financial assets at fair value through profit or loss	15,896	\$ 200,146	-	\$ 200,146
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	13,453	200,144	-	200,144
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	10,738	150,062	-	150,062
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss	11,043	150,010	-	150,010
	Taishin Securities Investment Tr Co Ltd	-	Financial assets at fair value through profit or loss	6,113	100,067	-	100,067
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	6,301	100,066	-	100,066
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss	8,330	100,062	-	100,062
	The RSIT Enhanced Money Market fund	-	Financial assets at fair value through profit or loss	6,512	100,039	-	100,039
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss	4,718	51,962	-	51,962
	Cathay Pacific Assets Mortgage High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,004	50,003	-	50,003
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	2,713	32,804	-	32,804
	PineBridge Emerging Market Asia-Pacific Strategic Bond	-	Financial assets at fair value through profit or loss				
	Nomura Global Equity Fund TWD	-	Financial assets at fair value through profit or loss	800	16,160	-	16,160

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 December 31, 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 YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Ending Balance	
					Stocks (Thousands)	Amount	Stocks (Thousands)	Amount	Stocks (Thousands)	Amount		Stocks (Thousands)	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates	Financial assets at fair value through profit or loss	-	-	1,844	\$ 30,000	24,510	\$ 400,000	20,241	\$ 330,831	\$ 831	6,113	\$ 100,000
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	33,708	500,000	20,255	300,834	834	13,453	200,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	26,125	400,000	19,613	300,830	830	6,512	100,000
	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	29,028	300,000	29,028	300,795	795	-	-
	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	19,376	300,000	19,376	300,718	718	-	-
	Shin Kong Chi-Shin Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	1,682	300,000	1,682	300,804	804	-	-
	FSITC Money Market	Financial assets at fair value through profit or loss	-	-	-	-	23,948	300,000	25,396	318,980	868	-	-
	Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,448	18,112	-	-	-	-	-	-	-
	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	39,783	500,000	23,887	300,258	258	15,896	200,000

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 YEAR ENDED DECEMBER 31, 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	\$ 26,193,544	99	4 days after sales for parts	\$ -	-	\$ (292,621)	(48)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	28,264,976	88	3 days after sales for vehicles	-	-	252,472	39	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	454,438	1	Same as above	-	-	19,597	3	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	429,267	1	14 days after sales for parts	-	-	10,862	2	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	359,458	1	Immediate payment for vehicles	-	-	8,483	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	357,033	1	14 days after sales for parts	-	-	8,242	1	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	353,731	1	Same as above	-	-	8,359	1	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	312,388	1	Same as above	-	-	8,031	1	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	282,635	1	14 days after sales for parts	-	-	5,417	1	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	266,123	1	Immediate payment for vehicles	-	-	7,128	1	-
Ding Long Motor Co., Ltd.	Substantial related party of Chen Long	Sale	110,004	-	Same as above	-	-	4,154	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

TRADE RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation Yulon	Subsidiary of Yulon Equity-method investor of the Company	Trade receivables \$ 252,472 Trade receivables 207,374	65.11 Note 2	\$ - -	- -	\$ 252,472 147,811	\$ - -

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

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	Original Investment Amount December 31, 2018	As of December 31, 2019			Net Income of the Investee	Share of Profit	Note
						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	100.00	\$ 17,548,758	\$ 7,572,985	\$ 7,572,985	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Jefford Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 585,160	US\$ 244,988	US\$ 244,988	Notes 1 and 2

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

Note 2: Eliminated.

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 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.	1	Trade receivables - related parties Reduction of general and administrative expenses	\$ 2,732 28,955	- -	- -

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

- The Company to subsidiaries is numbered as 1.
- Subsidiaries to the Company is numbered as 2.
- 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 YEAR ENDED DECEMBER 31, 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 December 31, 2019	% Ownership of Direct or Indirect Investment	Net Income of the Investee	Investment Gain (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Acoulus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 4,529,078 (RMB1,032,500)	Note 1	\$ 716,856 (US\$ 21,700)	-	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,831,414 (US\$ 123,946)	\$ 634,099 (US\$ 20,513)	\$ 1,059,999 (US\$ 35,357)	\$ 4,026,529 (US\$ 128,117)
Acoulus Automobile Co., Ltd. (Note 4)	Consulting	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	-	54,545 (US\$ 1,765)	18,065 (US\$ 585)	-	7,478,304 (US\$ 237,559)
Guangzhou Acoulus Automobile Co., Ltd. (Note 5)	Developing and manufacturing of parts and vehicles and related services	9,486,201 (RMB2,303,250)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	42.69	16,610,604 (US\$ 537,351)	6,809,449 (US\$ 220,285)	9,648,208 (US\$ 321,821)	33,422,686 (US\$ 1,073,785)
Shenzhen Lan You Technology Co., Ltd. (Note 4)	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)	-	105,072 (US\$ 3,399)	47,282 (US\$ 1,530)	-	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	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)	-	4,889 (US\$ 158)	2,396 (US\$ 78)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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)	\$3,279,922 (US\$103,622)	\$12,943,994

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 audited financial statements and percentage of ownership.

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

Note 4: The board of directors of the Company approved to dispose of the shareholdings in the investment in Acoulus Automobile Co., Ltd., Shenzhen Lan You Technology Co., Ltd. and Dong Feng Yulon Used Cars Co., Ltd. on January 28, 2019. The dates of the transaction were August 31, 2019, September 30, 2019 and August 31, 2019.

Note 5: The board of directors of the Company approved to increase the shareholding in the investment in Guangzhou Acoulus Automobile Co., Ltd. on January 28, 2019. The date of the transaction is August 31, 2019.