Yulon Nissan Motor Company, Ltd.

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the 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 of 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 financial statement 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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the 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 Company depreciates molds and dies on the basis of the unit of 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 financial statements, respectively; the related amounts are disclosed in Note 11 to the 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 determined 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 financial statement of the last year and the actual sales units, and the appropriateness of management's estimation.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

As part of an audit in accordance with 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2019 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

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

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

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

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Par Value)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 5,051,278	18	$ 6,423,983	25
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,251,525	5	325,129	1
Notes receivable - related parties (Notes 4, 20 and 27)	4,732	-	513	-
Trade receivables (Notes 4, 8 and 20)	18,184	-	31,340	-
Trade receivables - related parties (Notes 4, 20 and 27)	631,719	2	900,466	4
Other receivables (Notes 4 and 8)	27,077	-	56,102	-
Prepayments (Note 27)	1,065	-	12,243	-
Total current assets	6,985,580	25	7,749,776	30
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 10)	17,548,758	64	16,244,030	62
Property, plant and equipment (Notes 4, 5, 11 and 27)	1,934,280	7	1,793,200	7
Right-of-use assets (Notes 4, 12 and 27)	729,943	3	-	-
Computer software (Notes 4 and 13)	22,170	-	25,152	-
Deferred tax assets (Notes 4 and 22)	106,927	1	116,324	-
Other non-current assets (Notes 14 and 27)	72,771	-	171,265	1
Total non-current assets	20,414,849	75	18,349,971	70
TOTAL	$ 27,400,429	100	$ 26,099,747	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liability (Notes 4, 20 and 27)	$ 33,029	-	$ 50,553	-
Trade payables	21,906	-	146,794	1
Trade payables - related parties (Note 27)	598,146	2	1,303,228	5
Lease liabilities (Notes 4, 12 and 27)	54,190	-	-	-
Other payables (Note 15)	924,918	3	981,106	4
Current tax liabilities (Notes 4 and 22)	706,161	3	648,662	2
Provisions (Notes 4, 5 and 16)	191,241	1	188,149	1
Other current liabilities (Notes 17 and 27)	4,607	-	4,679	-
Total current liabilities	2,534,198	9	3,323,171	13
NON-CURRENT LIABILITIES				
Contract liability (Notes 4, 20 and 27)	-	-	22,487	-
Provisions (Notes 4, 5 and 16)	60,559	-	61,364	-
Lease liabilities (Notes 4, 12 and 27)	670,159	2	-	-
Net defined benefit liabilities (Notes 4 and 18)	232,025	1	329,881	1
Deferred tax liabilities (Notes 4 and 22)	2,330,164	9	1,905,810	8
Total non-current liabilities	3,292,907	12	2,319,542	9
Total liabilities	5,827,105	21	5,642,713	22
EQUITY				
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	22	6,129,405	23
Retained earnings				
Legal reserve	5,473,169	20	4,884,164	19
Special reserve	1,163,895	4	1,163,895	4
Unappropriated earnings	7,218,124	27	6,011,725	23
Total retained earnings	13,855,188	51	12,059,784	46
Other equity	(1,270,832)	(5)	(732,155)	(3)
Total equity	21,573,324	79	20,457,034	78
TOTAL	$ 27,400,429	100	$ 26,099,747	100

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

YULON NISSAN MOTOR COMPANY, LTD.

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

	2019 Amount	2019 %	2018 Amount	2018 %
OPERATING REVENUE (Notes 20 and 27)				
Sales (Note 4)	$ 32,145,186	99	$ 31,111,218	100
Service revenue (Note 4)	269,315	1	59,958	-
Other operating revenue	84,106	-	86,554	-
Total operating revenue	32,498,607	100	31,257,730	100
OPERATING COSTS (Notes 9, 21 and 27)	27,650,385	85	25,931,003	83
GROSS PROFIT	4,848,222	15	5,326,727	17
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	2,481,695	8	2,886,302	9
General and administrative expenses	353,264	1	372,706	1
Research and development expenses	621,509	2	707,445	2
Total operating expenses	3,456,468	11	3,966,453	12
OTHER OPERATING INCOME AND EXPENSES (Note 21)	2,491	-	-	-
PROFIT FROM OPERATIONS	1,394,245	4	1,360,274	5
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	7,572,985	24	6,170,791	20
Net foreign exchange gain (Note 21)	82,648	-	127,481	-
Interest income (Note 4)	56,633	-	27,523	-
Gain on financial assets at fair value through profit or loss, net	11,525	-	2,998	-
Gain (loss) on disposal of investments, net (Note 21)	9,815	-	(2,496)	-
Other revenue (Note 27)	1,892	-	4,434	-
Overseas business expenses (Note 27)	(7,069)	-	(10,156)	-
Interest expenses (Note 27)	(7,954)	-	(997)	-
Other losses (Note 27)	(2,453)	-	(3,292)	-
Total non-operating income and expenses	7,718,022	24	6,316,286	20
PROFIT BEFORE INCOME TAX	9,112,267	28	7,676,560	25
INCOME TAX EXPENSES (Notes 4 and 22)	1,830,370	5	1,786,514	6
NET PROFIT FOR THE YEAR	7,281,897	23	5,890,046	19

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

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 18)	$ 13,137	-	$ 33,034	-
Share of the other comprehensive loss of subsidiaries accounted for using equity method	(51)	-	(67)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	(2,617)	-	(3,466)	-
	10,469	-	29,501	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(538,677)	(2)	(357,137)	(1)
Other comprehensive loss for the year, net of income tax	(528,208)	(2)	(327,636)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 6,753,689	21	$ 5,562,410	18
EARNINGS PER SHARE (Note 23)				
Basic	$24.27		$19.63	
Diluted	$24.27		$19.63	

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

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

			Retained Earnings (Notes 10, 19 and 22)			Other Equity	
	Capital Stock	Capital Surplus (Notes 10 and 19)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
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)
	-	-	364,250	375,018	(7,039,268)	-	(6,300,000)
Net profit for the year ended December 31, 2018	-	-	-	-	5,890,046	-	5,890,046
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	29,501	(357,137)	(327,636)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	5,919,547	(357,137)	5,562,410
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)	-	-
Cash dividends distributed by the Company - NT$17.67 per share	-	-	-	-	(5,301,000)	-	(5,301,000)
	-	-	589,005	-	(5,890,005)	-	(5,301,000)
Total comprehensive income (loss) for the year ended December 31, 2019							
Net profit for the year ended December 31, 2019	-	-	-	-	7,281,897	-	7,281,897
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	10,469	(648,866)	(638,397)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	7,292,366	(648,866)	6,643,500
Change in ownership interests in subsidiaries	-	(140,437)	-	-	(195,962)	110,189	(226,210)
BALANCE AT DECEMBER 31, 2019	$ 3,000,000	$ 5,988,968	$ 5,473,169	$ 1,163,895	$ 7,218,124	$ (1,270,832)	$ 21,573,324

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

YULON NISSAN MOTOR COMPANY, LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
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	(56,633)	(27,523)
Share of the profit of subsidiary	(7,572,985)	(6,170,791)
Gain on disposal of property, plant and equipment, net	(2,491)	-
Gain (loss) on disposal of investment, net	(9,815)	2,496
Net foreign exchange gain	(118,652)	(154,773)
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	268,819	1,580
Other receivables	26,243	71,080
Prepayments	1,446	7,826
Contract liabilities	(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	405,964	2,734,745
Interest paid	(7,954)	(997)
Income tax paid	(1,341,737)	(1,180,103)
Net cash generated from (used in) operating activities	(943,727)	1,553,645
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	5,393,130	5,592,860
Interest received	59,415	23,801
Payments for property, plant and equipment (Note 24)	(736,811)	(622,698)
Proceeds from disposal of property, plant, and equipment	5,571	8
Payments for computer software	(7,201)	(11,929)
Decrease in refundable deposits	92,951	2,158
Increase in other non-current assets	-	(14,457)
Net cash generated from investing activities	4,807,055	4,969,743

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YULON NISSAN MOTOR COMPANY, LTD.

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		
Repayment of the principal portion of lease liabilities	$ (53,613)	$ -
Payments of dividends	(5,301,000)	(6,300,000)
Cash used in financing activities	(5,354,613)	(6,300,000)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	118,580	155,439
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,372,705)	378,827
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,423,983	6,045,156
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 5,051,278	$ 6,423,983

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

1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the "Company") 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 accompanying 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.

     <u>Definition of a lease</u>

     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	758,747
Lease liabilities recognized on January 1, 2019	$ 769,993

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	-	779,725	779,725
Total effect on assets	$ 9,732	$ 769,993	$ 779,725
Lease liabilities - current	$ -	$ 51,595	$ 51,595
Lease liabilities - non-current	-	718,398	718,398
Total effect on liabilities	$ -	$ 769,993	$ 769,993

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
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 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 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

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

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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.

Investments in Subsidiaries

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

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

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

Property, Plant and Equipment

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

The Company 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 Company expects to dispose of the asset before the end of its economic life.

Impairment of Assets

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

Financial Instruments

Financial assets and 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 26.

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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 Company 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

<u>Financial liabilities</u>

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitments

Where the Company 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 Company of the expenditure required to settle the Company's obligation.

Revenue Recognition

The Company 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 Company 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 Company'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 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 subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Property, plant and equipment - molds and dies

The Company 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	$ 1,242,121	$ 469,675
Foreign currency demand deposits	1,207,747	343,387
Cash equivalents		
Foreign currency time deposits	2,594,420	5,123,412
Time deposits	6,990	106,900
Repurchase agreements collateralized by bonds	-	380,609
	$ 5,051,278	$ 6,423,983

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:

	December 31	
	2019	2018
Demand deposits and time deposits	0.01%-2.95%	0.08%-3.20%
Repurchase agreements collateralized by bonds	-	3.10%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Trade receivables		
At amortized cost	$ 18,184	$ 31,340
Other receivables		
Interest receivables	$ 3,465	$ 6,247
Disposal of investment receivables	-	27,926
Others	23,612	21,929
	$ 27,077	$ 56,102

a. Trade receivables

In order to minimize credit risk, the sales department traces payment collection regularly to ensure that follow-up action is taken to recover overdue debts. In addition, the Company 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 Company's credit risk was significantly reduced.

The Company 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 Company did not recognize an expected losses provision for trade receivables due to the estimation performed by the Company 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 Company's provision matrix.

December 31, 2019

	Not Past Due	Less than 60 Days	121 to 180 Days	Over 181 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	$ 15,210	$ 2,974	$ -	$ -	$ 18,184
Loss allowance (Lifetime ECL)	-	-	-	-	-
Amortized cost	$ 15,210	$ 2,974	$ -	$ -	$ 18,184

December 31, 2018

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

b. Other receivables

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

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

9. INVENTORIES

	December 31	
	2019	2018
Parts	$ -	$ -

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 reversals of 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. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investment in subsidiary		
Yi-Jan Overseas Investment Co., Ltd.	$ 17,548,758	$ 16,244,030

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

	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
Yi-Jan Overseas Investment Co., Ltd.	100%	100%

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

The investments in subsidiaries accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on the subsidiaries' financial statements which have been audited for the same years.

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). 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.

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). 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	(1,690)	(51,116)
	14,400	407,435
Deferred gain on disposal of investment	(1,599)	(47,027)
Adjustment to exchange rate changes	-	36,196
Gain recognized	$ 12,801	$ 395,704

11. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
Cost									
Balance at January 1, 2018	$ 4,824,833	$ 900,435	$ 82,583	$ 177,639	$ 19,022	$ 6,662	$ 4,393	$ 5,694	$ 6,021,261
Additions	594,959	106,410	2,559	16,899	590	-	-	968	722,385
Reclassification	(67)	-	-	67	-	-	-	-	-
Disposals	(1,848,485)	(330,764)	(3,478)	(12,852)	-	(2,312)	-	-	(2,197,891)
Balance at December 31, 2018	$ 3,571,240	$ 676,081	$ 81,664	$ 181,753	$ 19,612	$ 4,350	$ 4,393	$ 6,662	$ 4,545,755
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ (3,655,330)	$ (683,481)	$ (64,142)	$ (118,239)	$ (6,869)	$ (6,201)	$ (2,123)	$ (5,651)	$ (4,542,036)
Depreciation expenses	(321,959)	(57,884)	(6,689)	(18,041)	(2,730)	(169)	(879)	(51)	(408,402)
Disposals	1,848,485	330,764	3,470	12,852	-	2,312	-	-	2,197,883
Balance at December 31, 2018	$ (2,128,804)	$ (410,601)	$ (67,361)	$ (123,428)	$ (9,599)	$ (4,058)	$ (3,002)	$ (5,702)	$ (2,752,555)
Carrying amount, net, December 31, 2018	$ 1,442,436	$ 265,480	$ 14,303	$ 58,325	$ 10,013	$ 292	$ 1,391	$ 960	$ 1,793,200

(Continued)

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvements	Tools	Total
Cost									
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	(275,521)	(52,244)	(19,433)	(4,205)	(8,047)	(629)	-	(225)	(360,304)
Balance at December 31, 2019	$ 3,659,497	$ 750,570	$ 64,630	$ 233,255	$ 11,565	$ 3,721	$ 28,388	$ 8,530	$ 4,760,156
Accumulated depreciation and impairment									
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	275,521	52,244	19,433	4,205	4,967	629	-	225	357,224
Balance at December 31, 2019	$ (2,196,560)	$ (418,430)	$ (53,596)	$ (135,253)	$ (7,026)	$ (3,561)	$ (5,670)	$ (5,780)	$ (2,825,876)
Carrying amount, net, December 31, 2019	$ 1,462,937	$ 332,140	$ 11,034	$ 98,002	$ 4,539	$ 160	$ 22,718	$ 2,750	$ 1,934,280

(Concluded)

There were no signs of impairment losses of assets for the years ended December 31, 2019 and 2018; therefore, the Company 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

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 716,970
Transportation equipment	12,973
	$ 729,943

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 7,969
Depreciation charge for right-of-use assets	
Buildings	$ 49,714
Transportation equipment	8,037
	$ 57,751

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 54,190
Non-current	$ 670,159

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
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 27. 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

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 10,201
Total cash outflow for leases	$ (63,814)

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:

	December 31, 2018
Not later than 1 year	$ 2,311
Later than 1 year and not later than 3 years	9,245
	$ 11,556

13. COMPUTER SOFTWARE

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

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

14. OTHER NON-CURRENT ASSETS

	December 31	
	2019	2018
Refundable deposits (Note 27)	$ 3,466	$ 96,417
Prepayments for equipment	40,392	45,935
Others	28,913	28,913
	$ 72,771	$ 171,265

15. OTHER PAYABLES

	December 31	
	2019	2018
Advertising and promotion fees	$ 550,213	$ 508,237
Salaries and bonuses	280,765	310,139
Taxes	30,033	9,175
Others	63,907	153,555
	$ 924,918	$ 981,106

16. PROVISIONS

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

	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	-	(147,309)	(147,309)
Balance at December 31, 2018	$ 97,762	$ 151,751	$ 249,513

(Continued)

	Inventory Purchase Commitments	Warranties	Total
Balance at January 1, 2019	$ 97,762	$ 151,751	$ 249,513
Additional provisions recognized	10,797	127,708	138,505
Paid	-	(136,218)	(136,218)
Balance at December 31, 2019	$ 108,559	$ 143,241	$ 251,800

(Concluded)

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 Company's obligations for warranties under the local sale of goods legislation. The estimate had been made on the basis of historical warranty trends.

17. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Withholding	$ 3,173	$ 3,087
Others	1,434	1,592
	$ 4,607	$ 4,679

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 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	92	152
	$ 15,332	$ 14,825

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 balance sheets in respect of the Company's defined benefit plans were as follows:

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

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2018	$ 597,831	$ (205,206)	$ 392,625
Service cost			
Current service cost	5,362	-	5,362
Net interest expense (income)	6,726	(2,346)	4,380
Recognized in profit or loss	12,088	(2,346)	9,742
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	(41,672)	-	(41,672)
Recognized in other comprehensive income	(27,247)	(5,787)	(33,034)
Contributions from the employer	-	(24,052)	(24,052)
Benefits paid	(21,475)	21,475	-
Payment from the employer	(15,400)	-	(15,400)
Balance at December 31, 2018	$ 545,797	$ (215,916)	$ 329,881

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	$ 545,797	$ (215,916)	$ 329,881
Service cost			
Current service cost	4,667	-	4,667
Net interest expense (income)	5,444	(2,180)	3,264
Recognized in profit or loss	10,111	(2,180)	7,931
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	(16,523)	-	(16,523)
Recognized in other comprehensive income	(5,201)	(7,936)	(13,137)
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	$ 483,850	$ (251,825)	$ 232,025

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
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	126	282
	$ 7,931	$ 9,742

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:

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

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	$ 25,314	$ 6,834
The average duration of the defined benefit obligation	9.5 years	9.8 years

19. 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	2,461	142,898
	$ 5,988,968	$ 6,129,405

The capital surplus arising from shares issued in excess of par (including excess from spin-off) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to 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 21-e. on employees' compensation.

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

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

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

The appropriations of earnings for 2018 and 2017 approved in the stockholders' meetings on June 28, 2019 and June 21, 2018, respectively, were as follows:

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

20. REVENUE

a. Contact balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable - related parties (Note 27)	$ 4,732	$ 513	$ 1,612
Trade receivables (Note 8)	$ 18,184	$ 31,340	$ 39,135
Trade receivables - related parties (Note 27)	$ 334,653	$ 724,150	$ 476,168

(Continued)

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities			
Designing and performing R&D of cars (Note 27)	$ 33,029	$ 50,553	$ 50,311
Sale of goods	-	-	476
Others	-	-	8,265
Contract liabilities - current	33,029	50,553	59,052
Designing and performing R&D of cars (Note 27)	-	22,487	63,020
Contract liabilities - non-current	-	22,487	63,020
	$ 33,029	$ 73,040	$ 122,072

(Concluded)

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

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

	For the Year Ended December 31	
	2019	2018
From the beginning contract liability		
Designing and performing R&D of cars	$ 40,011	$ 40,292

b. Disaggregation of revenue

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

c. Partially completed contracts

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

	December 31	
	2019	2018
Designing and performing R&D of cars - in 2020	$ 33,029	$ 50,553

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

21. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Gains on disposal of property, plant and equipment	$ 2,491	$ -

b. Depreciation and amortization

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

c. Technical cooperation agreement

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 564,624	$ 518,704

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

d. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 18)		
Defined contribution plans	$ 15,332	$ 14,825
Defined benefit plans	7,931	9,742
	23,263	24,567
Labor and health insurance	39,220	39,890
Salary	512,222	560,231
Remuneration of directors	13,200	14,467
Other employee benefits	51,514	51,638
	616,156	666,226
Total employee benefits expense	$ 639,419	$ 690,793
An analysis of employee benefits expense by function		
Operating expenses	$ 639,201	$ 690,359
Non-operating expenses	218	434
	$ 639,419	$ 690,793

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

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	0.10%	0.10%

Amount

	For the Year Ended December 31	
	2019	**2018**
	Cash	**Cash**
Employees' compensation	$ 9,121	$ 7,684

If there is a change in amounts after the annual 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 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

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 92,094	$ 242,005
Foreign exchange losses	(9,446)	(114,524)
Net profit (loss)	$ 82,648	$ 127,481

g. Gain or loss on disposal of investments, net

	For the Year Ended December 31	
	2019	**2018**
Gain on disposal of investments	$ 13,391	$ 13,412
Loss on disposal of investments	(3,576)	(15,908)
Net profit (loss)	$ 9,815	$ (2,496)

22. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
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	-	247,496
Income tax expense recognized in profit or loss	$ 1,830,370	$ 1,786,514

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 9,112,267	$ 7,676,560
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	8,549	604
Income tax expense recognized in profit or loss	$ 1,830,370	$ 1,786,514

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%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
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	(2,627)	(6,607)
Recognized in other comprehensive income (loss)	$ (2,617)	$ (3,466)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 706,161	$ 648,662

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
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 subsidiaries accounted for using equity method	84	-	28	112
	$ 127,060	$ (7,270)	$ (3,466)	$ 116,324
Deferred tax liabilities				
Temporarily difference				
Shares of profit of subsidiaries	$ 1,511,815	$ 382,378	$ -	$ 1,894,193
Unrealized exchange gain, net	-	11,617	-	11,617
	$ 1,511,815	$ 393,995	$ -	$ 1,905,810

For the year ended December 31, 2019

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

e. Income tax assessments

The Company's tax returns through 2017 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

Net Profit for the Year

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

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

	For the Year Ended December 31	
	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	23	24
Weighted average number of common stock used in the computation of diluted earnings per share	300,023	300,024

If the Company offered to settle compensation paid to employees in cash or stocks, the Company 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.

24. CASH FLOWS INFORMATION

a. Non-cash transactions

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

	For the Year Ended December 31	
	2019	2018
Investing activities affecting both cash and non-cash transactions		
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	167,649	(129,649)
Cash paid for acquisition of property, plant and equipment	$ 736,811	$ 622,698

b. Changes in liabilities arising from financing activities

	Opening Balance	Cash Flows	New Leases	December 31, 2019
Lease liabilities (Note 3)	$ 769,993	$ (53,613)	$ 7,969	$ 724,349

25. CAPITAL MANAGEMENT

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

26. 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
Financial assets at FVTPL				
Mutual funds	$ 1,251,525	$ -	$ -	$ 1,251,525
Trade receivables - related parties	-	-	34,371	34,371
	$ 1,251,525	$ -	$ 34,371	$ 1,285,896

December 31, 2018

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

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 Company 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

	December 31	
	2019	2018
Financial assets		
Fair value through profit or loss (FVTPL)		
Mandatorily at FVTPL	$ 1,285,896	356,411
Financial assets at amortized cost (Note 1)	5,698,619	7,381,122
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	1,264,205	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, trade payables and part of other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	RMB		U.S. Dollar		Japanese Yen	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018	2019	2018
Gain (loss)	$ (174,677)	$ (256,200)	$ (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 Company'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	$ 2,597,391	$ 5,505,560
Financial liabilities	724,349	-
Cash flows interest rate risk		
Financial assets	2,453,887	918,423
Financial liabilities	-	-

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 would increase/decrease by $6,135 thousand, which was mainly attributable to the Company'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 Company's pre-tax profit for the years ended December 31, 2018 would decrease/increase by $2,296 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits and time deposits.

2) Credit risk

The Company'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 Company's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the available unutilized borrowings facilities were $3,200,000 thousand and $5,700,000 thousand, respectively.

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing	$ 1,180,493	$ 75,271	$ 8,441	$ -	$ -
Lease liabilities	5,173	10,345	45,086	166,482	577,390
	$ 1,185,666	$ 85,616	$ 53,527	$ 166,482	$ 577,390

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 60,604	$ 166,482	$ 165,211	$ 156,843	$ 122,872	$ 132,464

December 31, 2018

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

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

Related Party	Relationship with the Company
Investors that have significant influence over the Company	
Nissan Motor Corporation ("Nissan")	Equity-method investor of the Company
Yulon Motor Co., Ltd. ("Yulon")	Same as above
Subsidiaries	
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jetford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Trading Europe Ltd.	Same as above
Nissan Trading (Thailand) Co., Ltd.	Same as above
Nissan Trading China Co., Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
Nissan Import Egypt, Ltd.	Same as above
PT. Nissan Motor Indonesia ("NMI")	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distributor Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan International SA	Same as above
Nissan 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

(Continued)

Related Party	Relationship with the Company
Y-teks Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Yulon Energy Service Co., Ltd.	Same as above
Univation Motor Philippines, Inc.	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Substantial related party of Yulon
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co., Ltd.	Same as above
Le-Wen Co., Ltd.	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Tai Yuen Textile Co., Ltd.	Same as above
San Long Industrial Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singgual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Shinshin Credit Corporation	Subsidiary of Taiwan Acceptance Corporation
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Sub-subsidiary of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
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

(Continued)

Related Party	Relationship with the Company
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.

(Concluded)

b. Related party transaction details

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

1) Operating transactions

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

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.

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

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

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

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

	For the Year Ended December 31	
	2019	2018
Selling and marketing expenses		
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	1,187,042	1,302,981
	$ 1,700,901	$ 1,865,474
General and administrative expenses		
Yulon Management Co., Ltd.	$ 174,687	$ 175,969
Investors that have significant influence	19,667	15,174
Other parties	11,543	7,099
	$ 205,897	$ 198,242
Research and development expenses		
Yulon	$ 60,484	$ 91,568
Investors that have significant influence	9,598	27,424
Other parties	18,108	16,656
	$ 88,190	$ 135,648

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:

	For the Year Ended December 31	
	2019	2018
Nissan	$ 5,447	$ -
Other parties	12,805	68,898
	$ 18,252	$ 68,898

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

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

2) Non-operating transactions

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

3) Receivables from related parties

	December 31	
	2019	2018
Notes receivable		
Yushin Motor Co., Ltd.	$ 146	$ 53
Yuan Lon Motor Co., Ltd.	4,586	460
	$ 4,732	$ 513
Trade receivables		
Taiwan Acceptance Corporation	$ 252,472	$ 615,806
Yulon	207,374	88,288
Investors that have significant influence	33,275	10,630
Subsidiary	2,732	6,967
Other parties	135,866	178,775
	$ 631,719	$ 900,466

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 account 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 26.

4) Payables to related parties

	December 31	
	2019	**2018**
Trade payables		
Yulon	$ 292,621	$ 811,332
Nissan	140,613	120,917
Other parties	164,912	370,979
	$ 598,146	$ 1,303,228

Trade payables to related parties are unsecured.

5) Refundable deposits

	December 31	
	2019	**2018**
Yulon	$ 1,770	$ 94,617
Yu Sing Motor Co., Ltd.	800	800
	$ 2,570	$ 95,417

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

6) Prepayments

	December 31	
	2019	**2018**
Yulon	$ -	$ 9,732

Prepayments to Yulon are for office rental.

7) Contract liabilities

	December 31	
	2019	**2018**
Autech Japan, Inc.	$ 33,029	$ 73,040

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	$ 766,683
Other parties	21,011
	$ 787,694

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	12,839
	$ 724,349

	For the Year Ended December 31, 2019
Interest expense	
Yulon	$ 6,747
Other parties	132
	$ 6,879

(Continued)

	For the Year Ended December 31, 2019
Lease expense	
Yulon	$ 7,329
Ka-Plus Automobile Leasing Co., Ltd.	1,656
Other parties	1,216
	$ 10,201

(Concluded)

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

	December 31, 2019
No later than 1 year	$ 2,311
Later than 1 year and not later than 3 years	6,934
	$ 9,245

2018

Rent expense

	For the Year Ended December 31, 2018
Yulon	$ 59,431
Ka-Plus Automobile Leasing Co., Ltd.	8,233
Other parties	4,409
	$ 72,073

The Company's rental expenses paid monthly are primarily comprised of call center system, building property, car testing expenses, cars for its executives for ended December 31, 2018.

c. Compensation of key management personnel

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

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. 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 above mentioned receivables sold was $34,371 thousand. The Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale will resulted in derecognization of these trade receivables because the Company will 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 of tax), which was originally $1,080,206 thousand (excluding of tax). Subsequently, the Company signed the new contracts. The total amount of contract newly-signed in November and December 2016 was $262,139 thousand (excluding of tax), and the installment payments will be disbursed according to the progress under the contract schedule. The total amount of contract newly-signed in December 2019 was $27,744 thousand (excluding of 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 of 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 to Diamond Leasing Service Co., Ltd., before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

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

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is $56,828 thousand (excluding of tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August and October 2018 was $142,071 thousand (excluding of tax). The total newly-signed contract amount 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 to Shinshin Credit Corporation, before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amounts paid for molds in the prior year.

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

The molds contract is valid from the date of the contract to the end of production of the car model. The contract amount is $56,176 thousand (excluding of tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August and October 2018 was $140,440 thousand (excluding of tax). The total amount of contract newly-signed in April and June 2019 was $125,149 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 to Sinjang Co., Ltd., before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated 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 of tax). Subsequently, the Company signed new contracts. The total amount of contract newly-signed in August 2018 was $41,616 thousand (excluding of 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 to Chan Yun Technology Co., Ltd., before the end of January of every year, the amount of $2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

28. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 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, 2018, no buy-back of vehicles has occurred.

c. Unrecognized commitments

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company'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
Financial assets			
Monetary items			
RMB	$ 811,507	4.3050 (RMB:NTD)	$ 3,493,538
USD	9,715	29.980 (USD:NTD)	291,256
JPY	85,959	0.2760 (JPY:NTD)	23,725
			$ 3,808,519
Non-monetary items			
USD	$ 585,349	29.980 (USD:NTD)	$ 17,548,758
Financial liabilities			
Monetary items			
JPY	64	0.2760 (JPY:NTD)	$ 18

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 1,145,797	4.4720 (RMB:NTD)	$ 5,124,004
USD	23,129	30.715 (USD:NTD)	710,407
JPY	75,652	0.2782 (JPY:NTD)	21,046
			$ 5,855,457
Non-monetary items			
USD	528,863	30.715 (USD:NTD)	$ 16,244,030
Financial liabilities			
Monetary items			
JPY	101	0.2782 (JPY:NTD)	$ 28

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
USD	30.912 (USD:NTD)	2,475	30.149 (USD:NTD)	42,356
JPY	0.2837 (JPY:NTD)	(569)	0.2730 (JPY:NTD)	1,770
		$ 82,648		$ 127,481

30. 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)

b. Information on investments in mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

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

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD.

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							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	15,896	$ 200,146	-	$ 200,146	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	13,453	200,144	-	200,144	
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss	10,738	150,062	-	150,062	
	Taishin Securities Investment Tr Co., Ltd.	-	Financial assets at fair value through profit or loss	11,043	150,010	-	150,010	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	6,113	100,267	-	100,267	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss	6,301	100,066	-	100,066	
	The RSIT Enhanced Money Market fund	-	Financial assets at fair value through profit or loss	8,330	100,062	-	100,062	
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss	6,512	100,039	-	100,039	
	Cathay Pacific Assets Mortgage High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,718	51,962	-	51,962	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	4,004	50,003	-	50,003	
	PineBridge Emerging Market Asia-Pacific Strategic Bond	-	Financial assets at fair value through profit or loss	2,713	32,804	-	32,804	
	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.

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

Note: Shown at their original investment amount.

TABLE 3

YULON NISSAN MOTOR COMPANY, LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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 3 days after sales for vehicles	$ -	-	$ (292,621)	(48)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	28,264,976	88	Same as above	-	-	252,472	39	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	454,438	1	14 days after sales for parts Immediate payment for vehicles	-	-	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	14 days after sales for parts 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.

TABLE 4

YULON NISSAN MOTOR COMPANY, LTD.

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 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables	$ 252,472	65.11	$ -	-	$ 252,472	$ -
	Yulon	Equity-method investor of the Company	Trade receivables	207,374	Note 2	-	-	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.

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		As of December 31, 2019			Net Income of the Investee	Share of Profit	Note
				December 31, 2019	December 31, 2018	Stocks (Thousands)	%	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	$ 1,847,983 (US$ 57,371)	$ 1,847,983 (US$ 57,371)	84,987	100.00	$ 17,548,758	$ 7,572,985	$ 7,572,985	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	British Virgin Islands	Investment	US$ 57,171	US$ 57,171	71,772	100.00	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.

YULON NISSAN MOTOR COMPANY, LTD.

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						
Aeolus 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)
Aeolus 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 Aeolus 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 Aeolus 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 Aeolus Automobile Co., Ltd. on January 28, 2019. The date of the transaction is August 31, 2019.