

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and subsidiaries (collectively referred to as the "Group") as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chien-Hsin Hsieh and Jui-Chuan Chih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 11, 2021

Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

|                                                                                                                          | March 31, 2021<br>(Reviewed) |            | December 31, 2020<br>(Audited) |            | March 31, 2020<br>(Reviewed) |            |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
|                                                                                                                          | Amount                       | %          | Amount                         | %          | Amount                       | %          |
| <b>ASSETS</b>                                                                                                            |                              |            |                                |            |                              |            |
| <b>CURRENT ASSETS</b>                                                                                                    |                              |            |                                |            |                              |            |
| Cash and cash equivalents (Note 6)                                                                                       | \$ 4,313,691                 | 15         | \$ 6,967,038                   | 25         | \$ 5,461,470                 | 20         |
| Financial assets at fair value through profit or loss (Notes 4 and 7)                                                    | 3,536,517                    | 12         | 626,514                        | 2          | 2,885,953                    | 10         |
| Notes receivable (Notes 4, 8 and 21)                                                                                     | 450                          | -          | 1,934                          | -          | 14                           | -          |
| Notes receivable - related parties (Notes 4, 21 and 28)                                                                  | 63                           | -          | 579                            | -          | 609                          | -          |
| Trade receivables (Notes 4, 8 and 21)                                                                                    | 20,369                       | -          | 12,419                         | -          | 18,589                       | -          |
| Trade receivables - related parties (Notes 4, 21 and 28)                                                                 | 374,305                      | 1          | 389,371                        | 1          | 482,002                      | 2          |
| Current tax assets (Note 4)                                                                                              | -                            | -          | -                              | -          | 94                           | -          |
| Other receivables (Notes 4 and 8)                                                                                        | 23,248                       | -          | 40,209                         | -          | 4,262,699                    | 16         |
| Other receivables - related parties (Notes 4 and 28)                                                                     | 248,879                      | 1          | 123,638                        | 1          | 318,409                      | 1          |
| Inventories (Notes 4 and 9)                                                                                              | -                            | -          | -                              | -          | 72                           | -          |
| Prepayments (Note 28)                                                                                                    | 270,067                      | 1          | 137,391                        | 1          | 346,568                      | 1          |
| Total current assets                                                                                                     | 8,787,589                    | 30         | 8,299,093                      | 30         | 13,776,479                   | 50         |
| <b>NON-CURRENT ASSETS</b>                                                                                                |                              |            |                                |            |                              |            |
| Investments accounted for using the equity method (Notes 4 and 11)                                                       | 16,999,836                   | 59         | 16,103,655                     | 58         | 10,949,639                   | 40         |
| Property, plant and equipment (Notes 4, 5, 12 and 28)                                                                    | 2,007,061                    | 7          | 1,929,478                      | 7          | 1,773,380                    | 6          |
| Right-of-use assets (Notes 4, 13 and 28)                                                                                 | 668,713                      | 2          | 683,655                        | 3          | 718,405                      | 3          |
| Computer software (Notes 4 and 14)                                                                                       | 34,038                       | -          | 39,882                         | -          | 18,552                       | -          |
| Deferred tax assets (Note 4)                                                                                             | 87,846                       | -          | 85,881                         | -          | 103,387                      | -          |
| Other non-current assets (Notes 15 and 28)                                                                               | 512,786                      | 2          | 622,986                        | 2          | 186,149                      | 1          |
| Total non-current assets                                                                                                 | 20,310,280                   | 70         | 19,465,537                     | 70         | 13,749,512                   | 50         |
| <b>TOTAL</b>                                                                                                             | <b>\$ 29,097,869</b>         | <b>100</b> | <b>\$ 27,764,630</b>           | <b>100</b> | <b>\$ 27,525,991</b>         | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                                            |                              |            |                                |            |                              |            |
| <b>CURRENT LIABILITIES</b>                                                                                               |                              |            |                                |            |                              |            |
| Contract liabilities (Notes 4, 21 and 28)                                                                                | \$ -                         | -          | \$ -                           | -          | \$ 22,387                    | -          |
| Trade payables                                                                                                           | 95,517                       | -          | 16,763                         | -          | 18,617                       | -          |
| Trade payables - related parties (Note 28)                                                                               | 677,093                      | 2          | 174,944                        | 1          | 533,528                      | 2          |
| Other payables (Note 16)                                                                                                 | 711,847                      | 3          | 855,425                        | 3          | 673,744                      | 2          |
| Other payables - related parties (Note 28)                                                                               | 245,256                      | 1          | 182,293                        | 1          | 277,023                      | 1          |
| Current tax liabilities (Notes 4 and 23)                                                                                 | 1,002,376                    | 3          | 978,846                        | 3          | 706,161                      | 3          |
| Provisions (Notes 4, 5 and 17)                                                                                           | 216,480                      | 1          | 218,982                        | 1          | 202,452                      | 1          |
| Lease liabilities (Notes 4, 13 and 28)                                                                                   | 49,537                       | -          | 51,616                         | -          | 54,130                       | -          |
| Other current liabilities (Note 18)                                                                                      | 5,142                        | -          | 4,364                          | -          | 5,486                        | -          |
| Total current liabilities                                                                                                | 3,003,248                    | 10         | 2,483,233                      | 9          | 2,493,528                    | 9          |
| <b>NON-CURRENT LIABILITIES</b>                                                                                           |                              |            |                                |            |                              |            |
| Provisions (Notes 4, 5 and 17)                                                                                           | 69,245                       | -          | 71,330                         | -          | 65,188                       | -          |
| Tax liabilities - non-current (Notes 4 and 23)                                                                           | 291,544                      | 1          | 349,455                        | 1          | -                            | -          |
| Deferred tax liabilities (Note 4)                                                                                        | 2,600,456                    | 9          | 2,418,760                      | 9          | 2,377,196                    | 9          |
| Lease liabilities (Notes 4, 13 and 28)                                                                                   | 618,541                      | 2          | 630,505                        | 2          | 659,689                      | 2          |
| Net defined benefit liabilities (Note 4)                                                                                 | 117,921                      | 1          | 136,796                        | 1          | 199,315                      | 1          |
| Total non-current liabilities                                                                                            | 3,697,707                    | 13         | 3,606,846                      | 13         | 3,301,388                    | 12         |
| Total liabilities                                                                                                        | 6,700,955                    | 23         | 6,090,079                      | 22         | 5,794,916                    | 21         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>                                                                      |                              |            |                                |            |                              |            |
| Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks | 3,000,000                    | 10         | 3,000,000                      | 11         | 3,000,000                    | 11         |
| Capital surplus                                                                                                          | 5,988,968                    | 21         | 5,988,968                      | 22         | 5,988,968                    | 22         |
| Retained earnings                                                                                                        |                              |            |                                |            |                              |            |
| Legal reserve                                                                                                            | 6,194,981                    | 21         | 6,194,981                      | 22         | 5,473,169                    | 20         |
| Special reserve                                                                                                          | 1,270,832                    | 5          | 1,270,832                      | 4          | 1,163,895                    | 4          |
| Unappropriated earnings                                                                                                  | 7,359,883                    | 25         | 6,548,206                      | 24         | 7,403,240                    | 27         |
| Total retained earnings                                                                                                  | 14,825,696                   | 51         | 14,014,019                     | 50         | 14,040,304                   | 51         |
| Other equity                                                                                                             | (1,417,750)                  | (5)        | (1,328,436)                    | (5)        | (1,298,197)                  | (5)        |
| Total equity                                                                                                             | 22,396,914                   | 77         | 21,674,551                     | 78         | 21,731,075                   | 79         |
| <b>TOTAL</b>                                                                                                             | <b>\$ 29,097,869</b>         | <b>100</b> | <b>\$ 27,764,630</b>           | <b>100</b> | <b>\$ 27,525,991</b>         | <b>100</b> |

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

|                                                                                                    | For the Three Months Ended March 31 |           |                  |           |
|----------------------------------------------------------------------------------------------------|-------------------------------------|-----------|------------------|-----------|
|                                                                                                    | 2021                                |           | 2020             |           |
|                                                                                                    | Amount                              | %         | Amount           | %         |
| OPERATING REVENUE (Notes 21 and 28)                                                                |                                     |           |                  |           |
| Sales (Note 4)                                                                                     | \$ 7,873,182                        | 100       | \$ 7,300,687     | 99        |
| Service revenue (Note 4)                                                                           | 4,617                               | -         | 51,063           | 1         |
| Other operating revenue                                                                            | <u>23,086</u>                       | -         | <u>8,883</u>     | -         |
| Total operating revenue                                                                            | 7,900,885                           | 100       | 7,360,633        | 100       |
| OPERATING COSTS (Notes 9, 22 and 28)                                                               | <u>7,008,519</u>                    | <u>89</u> | <u>6,302,005</u> | <u>86</u> |
| GROSS PROFIT                                                                                       | <u>892,366</u>                      | <u>11</u> | <u>1,058,628</u> | <u>14</u> |
| OPERATING EXPENSES (Notes 22 and 28)                                                               |                                     |           |                  |           |
| Selling and marketing expenses                                                                     | 553,380                             | 7         | 825,275          | 11        |
| General and administrative expenses                                                                | 175,917                             | 2         | 110,259          | 1         |
| Research and development expenses                                                                  | <u>86,784</u>                       | <u>1</u>  | <u>120,696</u>   | <u>2</u>  |
| Total operating expenses                                                                           | <u>816,081</u>                      | <u>10</u> | <u>1,056,230</u> | <u>14</u> |
| OTHER OPERATING INCOME AND EXPENSES<br>(Notes 22 and 28)                                           | <u>(18)</u>                         | -         | -                | -         |
| PROFIT FROM OPERATIONS                                                                             | <u>76,267</u>                       | <u>1</u>  | <u>2,398</u>     | -         |
| NON-OPERATING INCOME AND EXPENSES                                                                  |                                     |           |                  |           |
| Interest income (Note 4)                                                                           | 15,637                              | -         | 23,348           | -         |
| Other revenue (Note 28)                                                                            | 591                                 | -         | 4,602            | -         |
| Overseas business expenses (Note 28)                                                               | (693)                               | -         | (1,408)          | -         |
| Shares of profit of associates                                                                     | 988,831                             | 13        | 324,346          | 4         |
| Foreign exchange loss, net (Note 22)                                                               | (65,230)                            | (1)       | (104,862)        | (1)       |
| Gain (loss) on fair value changes of financial assets<br>at fair value through profit or loss, net | 3                                   | -         | (17,573)         | -         |
| Interest expenses (Note 28)                                                                        | (3,076)                             | -         | (1,911)          | -         |
| Other losses                                                                                       | <u>(466)</u>                        | -         | <u>(660)</u>     | -         |
| Total non-operating income and expenses                                                            | <u>935,597</u>                      | <u>12</u> | <u>225,882</u>   | <u>3</u>  |
| PROFIT BEFORE TAX                                                                                  | 1,011,864                           | 13        | 228,280          | 3         |
| INCOME TAX EXPENSE (Notes 4 and 23)                                                                | <u>202,689</u>                      | <u>3</u>  | <u>49,694</u>    | <u>1</u>  |
| NET PROFIT FOR THE PERIOD                                                                          | <u>809,175</u>                      | <u>10</u> | <u>178,586</u>   | <u>2</u>  |

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

|                                                                                                            | For the Three Months Ended March 31 |            |                   |          |
|------------------------------------------------------------------------------------------------------------|-------------------------------------|------------|-------------------|----------|
|                                                                                                            | 2021                                |            | 2020              |          |
|                                                                                                            | Amount                              | %          | Amount            | %        |
| OTHER COMPREHENSIVE INCOME (LOSS)                                                                          |                                     |            |                   |          |
| Items that will not be reclassified subsequently to profit or loss:                                        |                                     |            |                   |          |
| Remeasurement of defined benefit plans                                                                     | \$ 3,128                            | -          | \$ 8,162          | -        |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23) | <u>(626)</u>                        | <u>-</u>   | <u>(1,632)</u>    | <u>-</u> |
|                                                                                                            | <u>2,502</u>                        | <u>-</u>   | <u>6,530</u>      | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss:                                             |                                     |            |                   |          |
| Exchange differences on translating foreign operations                                                     | <u>(89,314)</u>                     | <u>(1)</u> | <u>(27,365)</u>   | <u>-</u> |
| Other comprehensive income (loss) for the period, net of income tax                                        | <u>(86,812)</u>                     | <u>(1)</u> | <u>(20,835)</u>   | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD                                                                  | <u>\$ 722,363</u>                   | <u>9</u>   | <u>\$ 157,751</u> | <u>2</u> |
| NET PROFIT ATTRIBUTABLE TO:                                                                                |                                     |            |                   |          |
| Owner of the Company                                                                                       | <u>\$ 809,175</u>                   | <u>10</u>  | <u>\$ 178,586</u> | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                                                                |                                     |            |                   |          |
| Owner of the Company                                                                                       | <u>\$ 722,363</u>                   | <u>9</u>   | <u>\$ 157,751</u> | <u>2</u> |
| EARNINGS PER SHARE (Note 24)                                                                               |                                     |            |                   |          |
| Basic                                                                                                      | <u>\$ 2.70</u>                      |            | <u>\$ 0.60</u>    |          |
| Diluted                                                                                                    | <u>\$ 2.70</u>                      |            | <u>\$ 0.60</u>    |          |

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|                                                                                                | Retained Earnings (Note 20) |                           |               |                 | Unappropriated Earnings | Other Equity Exchange Differences on Translating Foreign Operations | Total Equity  |
|------------------------------------------------------------------------------------------------|-----------------------------|---------------------------|---------------|-----------------|-------------------------|---------------------------------------------------------------------|---------------|
|                                                                                                | Capital Stock               | Capital Surplus (Note 20) | Legal Reserve | Special Reserve |                         |                                                                     |               |
| BALANCE AT JANUARY 1, 2020                                                                     | \$ 3,000,000                | \$ 5,988,968              | \$ 5,473,169  | \$ 1,163,895    | \$ 7,218,124            | \$ (1,270,832)                                                      | \$ 21,573,324 |
| Net profit for the three months ended March 31, 2020                                           | -                           | -                         | -             | -               | 178,586                 | -                                                                   | 178,586       |
| Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax | -                           | -                         | -             | -               | 6,530                   | (27,365)                                                            | (20,835)      |
| Total comprehensive income (loss) for the three months ended March 31, 2020                    | -                           | -                         | -             | -               | 185,116                 | (27,365)                                                            | 157,751       |
| BALANCE AT MARCH 31, 2020                                                                      | \$ 3,000,000                | \$ 5,988,968              | \$ 5,473,169  | \$ 1,163,895    | \$ 7,403,240            | \$ (1,298,197)                                                      | \$ 21,731,075 |
| BALANCE AT JANUARY 1, 2021                                                                     | \$ 3,000,000                | \$ 5,988,968              | \$ 6,194,981  | \$ 1,270,832    | \$ 6,548,206            | \$ (1,328,436)                                                      | \$ 21,674,551 |
| Net profit for the three months ended March 31, 2021                                           | -                           | -                         | -             | -               | 809,175                 | -                                                                   | 809,175       |
| Other comprehensive income for the three months ended March 31, 2021, net of income tax        | -                           | -                         | -             | -               | 2,502                   | (89,314)                                                            | (86,812)      |
| Total comprehensive income for the three months ended March 31, 2021                           | -                           | -                         | -             | -               | 811,677                 | (89,314)                                                            | 722,363       |
| BALANCE AT MARCH 31, 2021                                                                      | \$ 3,000,000                | \$ 5,988,968              | \$ 6,194,981  | \$ 1,270,832    | \$ 7,359,883            | \$ (1,417,750)                                                      | \$ 22,396,914 |

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|                                                                                                    | For the Three Months Ended<br>March 31 |             |
|----------------------------------------------------------------------------------------------------|----------------------------------------|-------------|
|                                                                                                    | 2021                                   | 2020        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                        |                                        |             |
| Income before income tax                                                                           | \$ 1,011,864                           | \$ 228,280  |
| Adjustments for:                                                                                   |                                        |             |
| Depreciation expenses                                                                              | 173,873                                | 185,204     |
| Amortization expenses                                                                              | 6,193                                  | 2,830       |
| Loss (gain) on fair value changes of financial assets at fair value<br>through profit of loss, net | (3)                                    | 17,573      |
| Interest expenses                                                                                  | 3,076                                  | 1,911       |
| Interest income                                                                                    | (15,637)                               | (23,348)    |
| Share of profit of associates                                                                      | (988,831)                              | (324,346)   |
| Loss on disposal of property, plant and equipment, net                                             | 18                                     | -           |
| Net foreign exchange loss (gain)                                                                   | (110,036)                              | 35,709      |
| Inventory purchase commitments                                                                     | 1,813                                  | 4,076       |
| Warranty costs                                                                                     | 29,836                                 | 56,388      |
| Net changes in operating assets and liabilities                                                    |                                        |             |
| Financial assets at fair value through profit or loss                                              | (2,910,000)                            | (1,652,001) |
| Notes receivable                                                                                   | 1,484                                  | (14)        |
| Notes receivable - related parties                                                                 | 516                                    | 4,123       |
| Trade receivables                                                                                  | (7,950)                                | (381)       |
| Trade receivables - related parties                                                                | 15,061                                 | (55,555)    |
| Other receivables                                                                                  | 15,464                                 | (3,941)     |
| Other receivables - related parties                                                                | (125,241)                              | (115,910)   |
| Inventories                                                                                        | -                                      | (72)        |
| Prepayments                                                                                        | (526)                                  | (132,595)   |
| Contract liabilities                                                                               | -                                      | (10,642)    |
| Trade payables                                                                                     | 112,210                                | (739)       |
| Trade payables - related parties                                                                   | 517,139                                | 119,473     |
| Other payables                                                                                     | (143,578)                              | (251,174)   |
| Other payables - related parties                                                                   | 62,963                                 | 98,209      |
| Provisions                                                                                         | (36,236)                               | (44,624)    |
| Other current liabilities                                                                          | 778                                    | 879         |
| Net defined benefit liabilities                                                                    | (15,747)                               | (24,548)    |
| Cash used in operations                                                                            | (2,401,497)                            | (1,885,235) |
| Interest paid                                                                                      | (3,076)                                | (1,911)     |
| Income tax paid                                                                                    | (57,965)                               | (848)       |
| Net cash used in operating activities                                                              | (2,462,538)                            | (1,887,994) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                        |                                        |             |
| Interest received                                                                                  | 17,134                                 | 27,810      |
| Payment for property, plant and equipment (Note 25)                                                | (244,756)                              | (35,016)    |
| Proceeds from disposal of property, plant and equipment                                            | 67                                     | -           |

(Continued)



# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|                                                                                       | For the Three Months Ended<br>March 31 |                     |
|---------------------------------------------------------------------------------------|----------------------------------------|---------------------|
|                                                                                       | 2021                                   | 2020                |
| Payments for computer software                                                        | \$ (349)                               | \$ -                |
| Decrease (increase) in refundable deposits                                            | 69,911                                 | (94,714)            |
| Decrease in other payables (Note 25)                                                  | <u>-</u>                               | <u>(1,170,977)</u>  |
| Net used in investing activities                                                      | <u>(157,993)</u>                       | <u>(1,272,897)</u>  |
| CASH FLOWS USED IN FINANCING ACTIVITIES                                               |                                        |                     |
| Repayment of the principal portion of lease liabilities                               | <u>(14,043)</u>                        | <u>(13,982)</u>     |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>(18,773)</u>                        | <u>50,989</u>       |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                                             | (2,653,347)                            | (3,123,884)         |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD                                    | <u>6,967,038</u>                       | <u>8,585,354</u>    |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD                                          | <u>\$ 4,313,691</u>                    | <u>\$ 5,461,470</u> |

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) is a business focused on the research and development of vehicles and the sale of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales and research and development businesses to the Company in October 2003 through a spin-off. The Company’s spin-off from Yulon was intended to increase Yulon’s competitive advantages 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 approved by the Taiwan Stock Exchange Corporation on October 6, 2004.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 11, 2021.

### 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

| New IFRSs                                                                                              | Effective Date<br>Announced by IASB |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16<br>“Interest Rate Benchmark Reform - Phase 2” | January 1, 2021                     |

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                                                        | January 1, 2022 (Note 2)                             |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                                                             | January 1, 2022 (Note 3)                             |
| 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, 2023                                      |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                      |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”                                            | January 1, 2023                                      |
| Amendments to IAS 1 “Disclosure of Accounting Policies”                                                                  | January 1, 2023 (Note 6)                             |
| Amendments to IAS 8 “Definition of Accounting Estimates”                                                                 | January 1, 2023 (Note 7)                             |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”                                      | January 1, 2022 (Note 4)                             |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”                                                 | January 1, 2022 (Note 5)                             |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **Statement of Compliance**

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

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

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

The fair value measurements, which 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, are described as follows:

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

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

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

## **Basis of Consolidation**

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

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

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

See Note 10 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

## **Foreign Currencies**

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

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

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

## **Inventories**

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

## **Investment in Associates**

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

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

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

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

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

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

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

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

### **Computer Software**

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

### **Impairment of Property, Plant and Equipment, Right-of-use Assets and Computer Software**

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

### **Financial Instruments**

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

Financial assets and financial liabilities are initially 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 category**

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

1) Financial asset 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 financial asset. Fair value is determined in the manner described in Note 27.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b. Impairment of financial assets

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

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

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

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

c. **Derecognition of financial assets**

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

Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Financial liabilities

a. **Subsequent measurement**

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

b. **Derecognition of financial liabilities**

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

**Provisions**

a. **Inventory purchase commitments**

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

b. **Warranties**

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

**Revenue Recognition**

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



a. Revenue from sale of goods

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

b. Revenue from rendering of services

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

## **Leases**

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.

## **Employee Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

## **Taxation**

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

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

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

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

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

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

a. Property, plant and equipment - molds and dies

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

b. Provisions for the expected cost of warranties

The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and the estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of March 31, 2021, December 31, 2020 and March 31, 2020, the carrying amounts of provisions for warranties were \$164,176 thousand, \$170,576 thousand and \$155,005 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

|                                               | March 31, 2021      | December 31,<br>2020 | March 31, 2020      |
|-----------------------------------------------|---------------------|----------------------|---------------------|
| Checking accounts and demand deposits         | \$ 1,826,592        | \$ 339,309           | \$ 925,586          |
| Foreign currency demand deposits              | 196,956             | 1,385,631            | 1,852,126           |
| Cash equivalents                              |                     |                      |                     |
| Foreign currency time deposits                | 1,963,289           | 4,916,698            | 2,298,698           |
| Time deposits                                 | 6,991               | 6,990                | 106,990             |
| Repurchase agreements collateralized by bonds | <u>319,863</u>      | <u>318,410</u>       | <u>278,070</u>      |
|                                               | <u>\$ 4,313,691</u> | <u>\$ 6,967,038</u>  | <u>\$ 5,461,470</u> |

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

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

|                                               | March 31, 2021 | December 31,<br>2020 | March 31, 2020 |
|-----------------------------------------------|----------------|----------------------|----------------|
| Demand deposits and time deposits             | 0.001%-2.85%   | 0.001%-2.70%         | 0.001%-2.9%    |
| Repurchase agreements collateralized by bonds | 1.00%          | 1.05%                | 2.50%          |

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

|                                                               | March 31, 2021      | December 31,<br>2020 | March 31, 2020      |
|---------------------------------------------------------------|---------------------|----------------------|---------------------|
| Financial assets mandatorily classified as at<br><u>FVTPL</u> |                     |                      |                     |
| Non-derivative financial assets                               |                     |                      |                     |
| Mutual funds                                                  | <u>\$ 3,536,517</u> | <u>\$ 626,514</u>    | <u>\$ 2,885,953</u> |

#### 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|                          | March 31, 2021   | December 31,<br>2020 | March 31, 2020      |
|--------------------------|------------------|----------------------|---------------------|
| <u>Notes receivables</u> |                  |                      |                     |
| At amortized cost        | <u>\$ 450</u>    | <u>\$ 1,934</u>      | <u>\$ 14</u>        |
| <u>Trade receivables</u> |                  |                      |                     |
| At amortized cost        | <u>\$ 20,369</u> | <u>\$ 12,419</u>     | <u>\$ 18,589</u>    |
| <u>Other receivables</u> |                  |                      |                     |
| Interest receivables     | \$ 2,052         | \$ 3,549             | \$ 4,894            |
| Dividend receivables     | -                | -                    | 4,230,252           |
| Others                   | <u>21,196</u>    | <u>36,660</u>        | <u>27,553</u>       |
|                          | <u>\$ 23,248</u> | <u>\$ 40,209</u>     | <u>\$ 4,262,699</u> |

##### a. Notes receivables

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

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

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

March 31, 2021

|                               | Not Past Due  | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total         |
|-------------------------------|---------------|-------------------|----------------|-----------------|---------------|---------------|
| Expected credit loss rate     | -             | -                 | -              | -               | -             |               |
| Gross carrying amount         | \$ 450        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 450        |
| Loss allowance (Lifetime ECL) | -             | -                 | -              | -               | -             | -             |
| Amortized cost                | <u>\$ 450</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 450</u> |

December 31, 2020

|                               | Not Past Due    | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total           |
|-------------------------------|-----------------|-------------------|----------------|-----------------|---------------|-----------------|
| Expected credit loss rate     | -               | -                 | -              | -               | -             |                 |
| Gross carrying amount         | \$ 1,934        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 1,934        |
| Loss allowance (Lifetime ECL) | -               | -                 | -              | -               | -             | -               |
| Amortized cost                | <u>\$ 1,934</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 1,934</u> |

March 31, 2020

|                               | Not Past Due | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total        |
|-------------------------------|--------------|-------------------|----------------|-----------------|---------------|--------------|
| Expected credit loss rate     | -            | -                 | -              | -               | -             |              |
| Gross carrying amount         | \$ 14        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 14        |
| Loss allowance (Lifetime ECL) | -            | -                 | -              | -               | -             | -            |
| Amortized cost                | <u>\$ 14</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 14</u> |

b. Trade receivables

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

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

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

March 31, 2021

|                               | Not Past Due     | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total            |
|-------------------------------|------------------|-------------------|----------------|-----------------|---------------|------------------|
| Expected credit loss rate     | -                | -                 | -              | -               | -             |                  |
| Gross carrying amount         | \$ 20,369        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 20,369        |
| Loss allowance (Lifetime ECL) | -                | -                 | -              | -               | -             | -                |
| Amortized cost                | <u>\$ 20,369</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 20,369</u> |

December 31, 2020

|                               | Not Past Due     | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total            |
|-------------------------------|------------------|-------------------|----------------|-----------------|---------------|------------------|
| Expected credit loss rate     | -                | -                 | -              | -               | -             |                  |
| Gross carrying amount         | \$ 12,419        | \$ -              | \$ -           | \$ -            | \$ -          | \$ 12,419        |
| Loss allowance (Lifetime ECL) | -                | -                 | -              | -               | -             | -                |
| Amortized cost                | <u>\$ 12,419</u> | <u>\$ -</u>       | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 12,419</u> |

### March 31, 2020

|                               | Not Past Due     | Less than 60 Days | 61 to 120 Days | 121 to 180 Days | Over 181 Days | Total            |
|-------------------------------|------------------|-------------------|----------------|-----------------|---------------|------------------|
| Expected credit loss rate     | -                | -                 | -              | -               | -             |                  |
| Gross carrying amount         | \$ 18,365        | \$ 224            | \$ -           | \$ -            | \$ -          | \$ 18,589        |
| Loss allowance (Lifetime ECL) | -                | -                 | -              | -               | -             | -                |
| Amortized cost                | <u>\$ 18,365</u> | <u>\$ 224</u>     | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ 18,589</u> |

#### c. 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

|       | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------|----------------|-------------------|----------------|
| Parts | <u>\$ -</u>    | <u>\$ -</u>       | <u>\$ 72</u>   |

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 was \$7,008,519 thousand, which included warranty costs of \$29,836 thousand and losses on inventory purchase commitments of \$1,813 thousand. The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2020 was \$6,302,005 thousand, which included warranty costs of \$56,388 thousand and losses on inventory purchase commitments of \$4,076 thousand.

## 10. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

| Investor                             | Investee                             | Main Business | % of Ownership |                   |                |
|--------------------------------------|--------------------------------------|---------------|----------------|-------------------|----------------|
|                                      |                                      |               | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Yulon Nissan Motor Company, Ltd      | Yi-Jan Overseas Investment Co., Ltd. | Investment    | 100.00         | 100.00            | 100.00         |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc.                         | Investment    | 100.00         | 100.00            | 100.00         |

# 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                                                      | March 31, 2021       | December 31,<br>2020 | March 31, 2020       |
|------------------------------------------------------|----------------------|----------------------|----------------------|
| <u>Material associate</u>                            |                      |                      |                      |
| Guangzhou Aeolus Automobile Co., Ltd.                | \$ 15,337,860        | \$ 14,518,040        | \$ 9,891,170         |
| <u>Associates that are not individually material</u> |                      |                      |                      |
| Aeolus Xiangyang Automobile Co., Ltd.                | <u>1,661,976</u>     | <u>1,585,615</u>     | <u>1,058,469</u>     |
|                                                      | <u>\$ 16,999,836</u> | <u>\$ 16,103,655</u> | <u>\$ 10,949,639</u> |

## a. Material associate

| Company Name                          | Main Business                                                           | Location           | Proportion of Ownership and Voting Rights |                      |                   |
|---------------------------------------|-------------------------------------------------------------------------|--------------------|-------------------------------------------|----------------------|-------------------|
|                                       |                                                                         |                    | March 31,<br>2021                         | December 31,<br>2020 | March 31,<br>2020 |
| Guangzhou Aeolus Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | Guangdong Province | 42.69%                                    | 42.69%               | 42.69%            |

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

## Guangzhou Aeolus Automobile Co., Ltd.

|                                                               | March 31, 2021       | December 31,<br>2020                   | March 31, 2020       |
|---------------------------------------------------------------|----------------------|----------------------------------------|----------------------|
| Current assets                                                | \$ 6,280,282         | \$ 6,630,916                           | \$ 6,682,838         |
| Non-current assets                                            | 38,695,712           | 38,985,232                             | 35,578,495           |
| Current liabilities                                           | (4,917,540)          | (7,477,012)                            | (15,258,484)         |
| Non-current liabilities                                       | <u>(4,023,137)</u>   | <u>(4,024,428)</u>                     | <u>(3,719,907)</u>   |
| Equity                                                        | <u>\$ 36,035,317</u> | <u>\$ 34,114,708</u>                   | <u>\$ 23,282,942</u> |
| Equity attributable to the Group                              | \$ 15,383,477        | \$ 14,563,569                          | \$ 9,939,488         |
| Deferred gain on disposal of investment                       | <u>(45,617)</u>      | <u>(45,529)</u>                        | <u>(48,318)</u>      |
| Carrying amount                                               | <u>\$ 15,337,860</u> | <u>\$ 14,518,040</u>                   | <u>\$ 9,891,170</u>  |
|                                                               |                      | For the Three Months Ended<br>March 31 |                      |
|                                                               |                      | 2021                                   | 2020                 |
| Revenue                                                       |                      | \$ 5,598,189                           | \$ 4,865,923         |
| Net profit for the period                                     |                      | \$ 2,116,355                           | \$ 745,035           |
| Dividends received from Guangzhou Aeolus Automobile Co., Ltd. |                      | \$ -                                   | \$ -                 |



b. Aggregate information of associates that are not individually material

|                                           | For the Three Months Ended<br>March 31 |                 |
|-------------------------------------------|----------------------------------------|-----------------|
|                                           | 2021                                   | 2020            |
| The Group's share of:                     |                                        |                 |
| Net profit for the period                 | \$ 85,359                              | \$ 6,291        |
| Other comprehensive income                | <u>-</u>                               | <u>-</u>        |
| Total comprehensive income for the period | <u>\$ 85,359</u>                       | <u>\$ 6,291</u> |

c. Other information

The investments accounted for using equity method and the share of profit of those investments for the three months ended March 31, 2021 and 2020 was based on the associates' financial statements reviewed by the auditors for the same periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

|                                                             | Molds                 | Dies                | Computer<br>Equipment | Other<br>Equipment  | Transportation<br>Equipment | Machinery and<br>Equipment | Leasehold<br>Improvements | Tools             | Total                 |
|-------------------------------------------------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------------|----------------------------|---------------------------|-------------------|-----------------------|
| <u>Cost</u>                                                 |                       |                     |                       |                     |                             |                            |                           |                   |                       |
| Balance at January 1, 2020                                  | \$ 3,659,497          | \$ 750,570          | \$ 64,630             | \$ 233,255          | \$ 11,565                   | \$ 3,721                   | \$ 28,388                 | \$ 8,530          | \$ 4,760,156          |
| Additions                                                   | 1,137                 | 8,484               | -                     | 1,104               | -                           | -                          | -                         | 350               | 11,075                |
| Disposals                                                   | (358,194)             | -                   | -                     | -                   | -                           | -                          | -                         | -                 | (358,194)             |
| Reclassification                                            | -                     | -                   | -                     | 788                 | -                           | -                          | -                         | -                 | 788                   |
| Reversal                                                    | (2,549)               | -                   | -                     | -                   | -                           | -                          | -                         | -                 | (2,549)               |
| Balance at March 31, 2020                                   | <u>\$ 3,299,891</u>   | <u>\$ 759,054</u>   | <u>\$ 64,630</u>      | <u>\$ 235,147</u>   | <u>\$ 11,565</u>            | <u>\$ 3,721</u>            | <u>\$ 28,388</u>          | <u>\$ 8,880</u>   | <u>\$ 4,411,276</u>   |
| <u>Accumulated depreciation and impairment</u>              |                       |                     |                       |                     |                             |                            |                           |                   |                       |
| Balance at January 1, 2020                                  | \$ (2,196,560)        | \$ (418,430)        | \$ (53,596)           | \$ (135,253)        | \$ (7,026)                  | \$ (3,561)                 | \$ (5,670)                | \$ (5,780)        | \$ (2,825,876)        |
| Depreciation expenses                                       | (140,107)             | (22,533)            | (1,329)               | (4,252)             | (464)                       | (9)                        | (1,419)                   | (101)             | (170,214)             |
| Disposals                                                   | 358,194               | -                   | -                     | -                   | -                           | -                          | -                         | -                 | 358,194               |
| Balance at March 31, 2020                                   | <u>\$ (1,978,473)</u> | <u>\$ (440,963)</u> | <u>\$ (54,925)</u>    | <u>\$ (139,505)</u> | <u>\$ (7,490)</u>           | <u>\$ (3,570)</u>          | <u>\$ (7,089)</u>         | <u>\$ (5,881)</u> | <u>\$ (2,637,896)</u> |
| Carrying amount, net, March 31, 2020                        | <u>\$ 1,321,418</u>   | <u>\$ 318,091</u>   | <u>\$ 9,705</u>       | <u>\$ 95,642</u>    | <u>\$ 4,075</u>             | <u>\$ 151</u>              | <u>\$ 21,299</u>          | <u>\$ 2,999</u>   | <u>\$ 1,773,380</u>   |
| <u>Cost</u>                                                 |                       |                     |                       |                     |                             |                            |                           |                   |                       |
| Balance at January 1, 2021                                  | \$ 2,927,777          | \$ 640,964          | \$ 67,102             | \$ 250,426          | \$ 10,440                   | \$ 3,721                   | \$ 23,995                 | \$ 8,920          | \$ 3,933,345          |
| Additions                                                   | 194,216               | -                   | -                     | 42,383              | -                           | -                          | -                         | -                 | 236,599               |
| Disposals                                                   | -                     | -                   | (1,516)               | -                   | -                           | -                          | -                         | -                 | (1,516)               |
| Balance at March 31, 2021                                   | <u>\$ 3,121,993</u>   | <u>\$ 640,964</u>   | <u>\$ 65,586</u>      | <u>\$ 292,809</u>   | <u>\$ 10,440</u>            | <u>\$ 3,721</u>            | <u>\$ 23,995</u>          | <u>\$ 8,920</u>   | <u>\$ 4,168,428</u>   |
| <u>Accumulated depreciation and impairment</u>              |                       |                     |                       |                     |                             |                            |                           |                   |                       |
| Balance at January 1, 2021                                  | \$ (1,484,104)        | \$ (286,073)        | \$ (57,851)           | \$ (151,825)        | \$ (7,628)                  | \$ (3,595)                 | \$ (6,589)                | \$ (6,202)        | \$ (2,003,867)        |
| Depreciation expenses                                       | (125,046)             | (26,098)            | (886)                 | (5,317)             | (267)                       | (8)                        | (1,200)                   | (109)             | (158,931)             |
| Disposals                                                   | -                     | -                   | 1,431                 | -                   | -                           | -                          | -                         | -                 | 1,431                 |
| Balance at March 31, 2021                                   | <u>\$ (1,609,150)</u> | <u>\$ (312,171)</u> | <u>\$ (57,306)</u>    | <u>\$ (157,142)</u> | <u>\$ (7,895)</u>           | <u>\$ (3,603)</u>          | <u>\$ (7,789)</u>         | <u>\$ (6,311)</u> | <u>\$ (2,161,367)</u> |
| Carrying amount, net, December 31, 2020 and January 1, 2021 | <u>\$ 1,443,673</u>   | <u>\$ 354,891</u>   | <u>\$ 9,251</u>       | <u>\$ 98,601</u>    | <u>\$ 2,812</u>             | <u>\$ 126</u>              | <u>\$ 17,406</u>          | <u>\$ 2,718</u>   | <u>\$ 1,929,478</u>   |
| Carrying amount, net, March 31, 2021                        | <u>\$ 1,512,843</u>   | <u>\$ 328,793</u>   | <u>\$ 8,280</u>       | <u>\$ 135,667</u>   | <u>\$ 2,545</u>             | <u>\$ 118</u>              | <u>\$ 16,206</u>          | <u>\$ 2,609</u>   | <u>\$ 2,007,061</u>   |

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

There were no signs of impairment losses of assets for the three months ended March 31, 2021 and 2020; therefore, the Group did not assess for impairment.

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

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

### 13. LEASE ARRANGEMENTS

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

|                                             | March 31, 2021    | December 31,<br>2020                           | March 31, 2020    |
|---------------------------------------------|-------------------|------------------------------------------------|-------------------|
| <u>Carrying amounts</u>                     |                   |                                                |                   |
| Buildings                                   | \$ 660,029        | \$ 673,170                                     | \$ 704,541        |
| Transportation equipment                    | <u>8,684</u>      | <u>10,485</u>                                  | <u>13,864</u>     |
|                                             | <u>\$ 668,713</u> | <u>\$ 683,655</u>                              | <u>\$ 718,405</u> |
|                                             |                   | <b>For the Three Months Ended<br/>March 31</b> |                   |
|                                             |                   | <b>2021</b>                                    | <b>2020</b>       |
| Additions to right-of-use assets            |                   | \$ <u>-</u>                                    | \$ <u>4,036</u>   |
| Depreciation charge for right-of-use assets |                   |                                                |                   |
| Buildings                                   |                   | \$ 13,141                                      | \$ 12,428         |
| Transportation equipment                    |                   | <u>1,801</u>                                   | <u>2,562</u>      |
|                                             |                   | <u>\$ 14,942</u>                               | <u>\$ 14,990</u>  |

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

#### b. Lease liabilities

|                         | March 31, 2021    | December 31,<br>2020 | March 31, 2020    |
|-------------------------|-------------------|----------------------|-------------------|
| <u>Carrying amounts</u> |                   |                      |                   |
| Current                 | \$ <u>49,537</u>  | \$ <u>51,616</u>     | \$ <u>54,130</u>  |
| Non-current             | <u>\$ 618,541</u> | <u>\$ 630,505</u>    | <u>\$ 659,689</u> |

Range of discount rate for lease liabilities was as follows:

|                          | March 31, 2021 | December 31,<br>2020 | March 31, 2020 |
|--------------------------|----------------|----------------------|----------------|
| Buildings                | 0.91%          | 0.91%                | 0.91%          |
| Transportation equipment | 0.91%          | 0.91%                | 0.91%          |

c. Material lease-in activities and terms

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

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

d. Other lease information

|                                        | For the Three Months Ended<br>March 31 |             |
|----------------------------------------|----------------------------------------|-------------|
|                                        | 2021                                   | 2020        |
| Expenses relating to short-term leases | \$ 772                                 | \$ 888      |
| Total cash outflow for leases          | \$ (16,367)                            | \$ (16,524) |

The Group leases certain transportation equipment which qualifies 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.

#### 14. COMPUTER SOFTWARE

|                                    | Amount             |
|------------------------------------|--------------------|
| <u>Cost</u>                        |                    |
| Balance, January 1, 2020           | \$ 40,721          |
| Reclassification                   | (788)              |
| Balance, March 31, 2020            | <u>\$ 39,933</u>   |
| <u>Accumulated amortization</u>    |                    |
| Balance, January 1, 2020           | \$ (18,551)        |
| Amortization expenses              | (2,830)            |
| Balance, March 31, 2020            | <u>\$ (21,381)</u> |
| Carrying amounts at March 31, 2020 | <u>\$ 18,552</u>   |

(Continued)

|                                                        | <b>Amount</b>      |
|--------------------------------------------------------|--------------------|
| <u>Cost</u>                                            |                    |
| Balance, January 1, 2021                               | \$ 79,546          |
| Additions                                              | <u>349</u>         |
| Balance, March 31, 2021                                | <u>\$ 79,895</u>   |
| <u>Accumulated amortization</u>                        |                    |
| Balance, January 1, 2021                               | \$ (39,664)        |
| Amortization expenses                                  | <u>(6,193)</u>     |
| Balance, March 31, 2021                                | <u>\$ (45,857)</u> |
| Carrying amounts December 31, 2020 and January 1, 2021 | <u>\$ 39,882</u>   |
| Carrying amounts at March 31, 2021                     | <u>\$ 34,038</u>   |
|                                                        | (Concluded)        |

There were no signs of impairment losses of assets for the three months ended March 31, 2021 and 2020; therefore, the Group did not assess for impairment.

#### 15. OTHER NON CURRENT ASSETS

|                               | <b>March 31, 2021</b> | <b>December 31,<br/>2020</b> | <b>March 31, 2020</b> |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Refundable deposits (Note 28) | \$ 495,927            | \$ 565,838                   | \$ 98,180             |
| Prepayments for equipment     | 16,859                | 57,148                       | 59,056                |
| Others                        | <u>-</u>              | <u>-</u>                     | <u>28,913</u>         |
|                               | <u>\$ 512,786</u>     | <u>\$ 622,986</u>            | <u>\$ 186,149</u>     |

#### 16. OTHER PAYABLES

|                                | <b>March 31, 2021</b> | <b>December 31,<br/>2020</b> | <b>March 31, 2020</b> |
|--------------------------------|-----------------------|------------------------------|-----------------------|
| Advertising and promotion fees | \$ 507,391            | \$ 512,940                   | \$ 524,813            |
| Salaries and bonuses           | 90,606                | 191,446                      | 83,567                |
| Purchases of equipment         | 43,235                | 76,691                       | -                     |
| Taxes                          | 9,261                 | 12,868                       | 5,441                 |
| Others                         | <u>61,354</u>         | <u>61,480</u>                | <u>59,923</u>         |
|                                | <u>\$ 711,847</u>     | <u>\$ 855,425</u>            | <u>\$ 673,744</u>     |

## 17. PROVISIONS

|                                  | March 31, 2021                                | December 31,<br>2020 | March 31, 2020    |
|----------------------------------|-----------------------------------------------|----------------------|-------------------|
| Current                          |                                               |                      |                   |
| Inventory purchase commitments   | \$ 121,549                                    | \$ 119,736           | \$ 112,635        |
| Warranties                       | <u>94,931</u>                                 | <u>99,246</u>        | <u>89,817</u>     |
|                                  | <u>\$ 216,480</u>                             | <u>\$ 218,982</u>    | <u>\$ 202,452</u> |
| Non-current                      |                                               |                      |                   |
| Warranties                       | <u>\$ 69,245</u>                              | <u>\$ 71,330</u>     | <u>\$ 65,188</u>  |
|                                  |                                               |                      |                   |
|                                  | <b>Inventory<br/>Purchase<br/>Commitments</b> | <b>Warranties</b>    | <b>Total</b>      |
| Balance at January 1, 2020       | \$ 108,559                                    | \$ 143,241           | \$ 251,800        |
| Additional provisions recognized | 4,076                                         | 56,388               | 60,464            |
| Paid                             | <u>-</u>                                      | <u>(44,624)</u>      | <u>(44,624)</u>   |
| Balance at March 31, 2020        | <u>\$ 112,635</u>                             | <u>\$ 155,005</u>    | <u>\$ 267,640</u> |
| Balance at January 1, 2021       | \$ 119,736                                    | \$ 170,576           | \$ 290,312        |
| Additional provisions recognized | 1,813                                         | 29,836               | 31,649            |
| Paid                             | <u>-</u>                                      | <u>(36,236)</u>      | <u>(36,236)</u>   |
| Balance at March 31, 2021        | <u>\$ 121,549</u>                             | <u>\$ 164,176</u>    | <u>\$ 285,725</u> |

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

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

## 18. OTHER LIABILITIES

|             | March 31, 2021  | December 31,<br>2020 | March 31, 2020  |
|-------------|-----------------|----------------------|-----------------|
| Withholding | \$ 3,292        | \$ 3,056             | \$ 3,046        |
| Others      | <u>1,850</u>    | <u>1,308</u>         | <u>2,440</u>    |
|             | <u>\$ 5,142</u> | <u>\$ 4,364</u>      | <u>\$ 5,486</u> |

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

The total expense recognized in profit or loss for the three months ended March 31, 2021 and 2020 was \$3,871 thousand and \$3,850 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. as of March 31, 2021; therefore, the subsidiaries had no pension plan for employees.

### b. Defined benefit plan

Employee benefit expenses in respect of the Group’s defined benefit retirement plans were \$927 thousand and \$1,335 thousand for the three months ended March 31, 2021 and 2020, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

## 20. EQUITY

### a. Capital surplus

|                                                                 | March 31, 2021      | December 31,<br>2020 | March 31, 2020      |
|-----------------------------------------------------------------|---------------------|----------------------|---------------------|
| Excess from spin-off                                            | \$ 5,986,507        | \$ 5,986,507         | \$ 5,986,507        |
| Generated from investments accounted for<br>using equity method | <u>2,461</u>        | <u>2,461</u>         | <u>2,461</u>        |
|                                                                 | <u>\$ 5,988,968</u> | <u>\$ 5,988,968</u>  | <u>\$ 5,988,968</u> |

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

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

### b. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders’ meeting for distribution of dividends and bonus to stockholders. For the policies on the distribution of employees’ compensation after the amendment, refer to Note 22-e. on employees’ compensation.

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

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

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

The appropriations of earnings for 2020 has been proposed in the board of directors on May 11, 2021 and the appropriations of earnings for 2019 had been approved in the stockholders' meetings on June 19, 2020 were as follows:

|                 | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share (NT\$)</b> |             |
|-----------------|----------------------------------|-------------|-----------------------------------|-------------|
|                 | <b>For the Year Ended</b>        |             | <b>For the Year Ended</b>         |             |
|                 | <b>December 31</b>               |             | <b>December 31</b>                |             |
|                 | <b>2020</b>                      | <b>2019</b> | <b>2020</b>                       | <b>2019</b> |
| Legal reserve   | \$ 653,983                       | \$ 721,812  |                                   |             |
| Special reserve | 57,604                           | 106,937     |                                   |             |
| Cash dividends  | 5,559,000                        | 6,381,000   | \$18.53                           | \$21.27     |

The appropriations of earnings for 2020 are subject to approved in the stockholders' meetings on June 25, 2021.

## 21. REVENUE

### a. Contract balances

|                                                | <b>March 31,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>March 31,<br/>2020</b> | <b>January 1,<br/>2020</b> |
|------------------------------------------------|---------------------------|------------------------------|---------------------------|----------------------------|
| Notes receivable (Note 8)                      | \$ <u>450</u>             | \$ <u>1,934</u>              | \$ <u>14</u>              | \$ <u>-</u>                |
| Notes receivable - related parties (Note 28)   | \$ <u>63</u>              | \$ <u>579</u>                | \$ <u>609</u>             | \$ <u>4,732</u>            |
| Trade receivables (Note 8)                     | \$ <u>20,369</u>          | \$ <u>12,419</u>             | \$ <u>18,589</u>          | \$ <u>18,184</u>           |
| Trade receivables - related parties (Note 28)  | \$ <u>374,305</u>         | \$ <u>389,371</u>            | \$ <u>482,002</u>         | \$ <u>426,488</u>          |
| Contract liabilities                           |                           |                              |                           |                            |
| Designing and performing R&D of cars (Note 28) | \$ <u>-</u>               | \$ <u>-</u>                  | \$ <u>22,387</u>          | \$ <u>33,029</u>           |

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

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

|                                       | For the Three Months Ended<br>March 31 |                  |
|---------------------------------------|----------------------------------------|------------------|
|                                       | 2021                                   | 2020             |
| From the beginning contract liability |                                        |                  |
| Designing and performing R&D of cars  | \$ <u>          -</u>                  | \$ <u>10,642</u> |

b. Disaggregation of revenue

Refer to Note 32 for information about disaggregation of revenue.

c. Partially completed contracts

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

|                                      | March 31, 2021        | December 31,<br>2020  | March 31, 2020   |
|--------------------------------------|-----------------------|-----------------------|------------------|
| Designing and performing R&D of cars |                       |                       |                  |
| Fulfillment in 2020                  | \$ <u>          -</u> | \$ <u>          -</u> | \$ <u>22,387</u> |

## 22. NET PROFIT

a. Other operating income and expenses

|                                                   | For the Three Months Ended<br>March 31 |             |
|---------------------------------------------------|----------------------------------------|-------------|
|                                                   | 2021                                   | 2020        |
| Loss on disposal of property, plant and equipment | \$ <u>18</u>                           | \$ <u>-</u> |

b. Depreciation and amortization

|                                         | For the Three Months Ended<br>March 31 |                   |
|-----------------------------------------|----------------------------------------|-------------------|
|                                         | 2021                                   | 2020              |
| An analysis of depreciation by function |                                        |                   |
| Operating costs                         | \$ 151,142                             | \$ 162,640        |
| Operating expenses                      | <u>22,731</u>                          | <u>22,564</u>     |
|                                         | <u>\$ 173,873</u>                      | <u>\$ 185,204</u> |
| An analysis of amortization by function |                                        |                   |
| Operating costs                         | \$ 4,599                               | \$ -              |
| Operating expenses                      | <u>1,594</u>                           | <u>2,830</u>      |
|                                         | <u>\$ 6,193</u>                        | <u>\$ 2,830</u>   |



c. Technical cooperation agreement

|                           | <b>For the Three Months Ended<br/>March 31</b> |                   |
|---------------------------|------------------------------------------------|-------------------|
|                           | <b>2021</b>                                    | <b>2020</b>       |
| Operating costs (Note 28) | <u>\$ 126,617</u>                              | <u>\$ 125,302</u> |

The Company has a technical cooperation agreement (the “TCA”) with Nissan and Autech Japan, Inc.

d. Employee benefits expense

|                                                      | <b>For the Three Months Ended<br/>March 31</b> |                   |
|------------------------------------------------------|------------------------------------------------|-------------------|
|                                                      | <b>2021</b>                                    | <b>2020</b>       |
| Post-employment benefits (Note 19)                   |                                                |                   |
| Defined contribution plans                           | \$ 3,871                                       | \$ 3,850          |
| Defined benefit plans                                | <u>927</u>                                     | <u>1,335</u>      |
|                                                      | <u>4,798</u>                                   | <u>5,185</u>      |
| Labor and health insurance                           | 11,170                                         | 13,175            |
| Salary                                               | 114,959                                        | 102,750           |
| Other employee benefits                              | <u>12,557</u>                                  | <u>12,420</u>     |
|                                                      | <u>138,686</u>                                 | <u>128,345</u>    |
| Total employee benefits expense                      | <u>\$ 143,484</u>                              | <u>\$ 133,530</u> |
| An analysis of employee benefits expense by function |                                                |                   |
| Operating expenses                                   | \$ 143,440                                     | \$ 133,442        |
| Non-operating expenses                               | <u>44</u>                                      | <u>88</u>         |
|                                                      | <u>\$ 143,484</u>                              | <u>\$ 133,530</u> |

e. Employees’ compensation

The Company accrued employees’ compensation at the rates no less than 0.1% of net profit before income tax, and employees’ compensation. The employees’ compensation for the three months ended March 31, 2021 and 2020, were as follows:

Accrual rate

|                         | <b>For the Three Months Ended<br/>March 31</b> |             |
|-------------------------|------------------------------------------------|-------------|
|                         | <b>2021</b>                                    | <b>2020</b> |
| Employees’ compensation | 0.10%                                          | 0.43%       |

Amount

|                         | <b>For the Three Months Ended<br/>March 31</b> |             |
|-------------------------|------------------------------------------------|-------------|
|                         | <b>2021</b>                                    | <b>2020</b> |
| Employees’ compensation | \$ 1,013                                       | \$ 980      |

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

The appropriations of employees' compensation for 2020 and 2019 that were resolved by the board of directors on March 23, 2021 and March 24, 2020, respectively, are as shown below.

|                         | <b>For the Year Ended December 31</b> |             |
|-------------------------|---------------------------------------|-------------|
|                         | <b>2020</b>                           | <b>2019</b> |
|                         | <b>Cash</b>                           | <b>Cash</b> |
| Employees' compensation | \$ 8,169                              | \$ 9,121    |

There is no difference between the amounts of the employees' compensation paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

f. Loss on foreign currency exchange, net

|                         | <b>For the Three Months Ended<br/>March 31</b> |                     |
|-------------------------|------------------------------------------------|---------------------|
|                         | <b>2021</b>                                    | <b>2020</b>         |
| Foreign exchange gains  | \$ 77,480                                      | \$ 34,256           |
| Foreign exchange losses | <u>(142,710)</u>                               | <u>(139,118)</u>    |
| Net loss                | <u>\$ (65,230)</u>                             | <u>\$ (104,862)</u> |

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

|                                                 | <b>For the Three Months Ended<br/>March 31</b> |                  |
|-------------------------------------------------|------------------------------------------------|------------------|
|                                                 | <b>2021</b>                                    | <b>2020</b>      |
| Current tax                                     |                                                |                  |
| In respect of the current year                  | \$ 23,584                                      | \$ 754           |
| Deferred tax                                    |                                                |                  |
| In respect of the current year                  | <u>179,105</u>                                 | <u>48,940</u>    |
| Income tax expense recognized in profit or loss | <u>\$ 202,689</u>                              | <u>\$ 49,694</u> |

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

b. Income tax recognized in other comprehensive income

|                                                 | For the Three Months Ended<br>March 31 |            |
|-------------------------------------------------|----------------------------------------|------------|
|                                                 | 2021                                   | 2020       |
| <u>Deferred tax</u>                             |                                        |            |
| In respect of the current year                  |                                        |            |
| Remeasurement of defined benefit plans          | \$ (626)                               | \$ (1,632) |
| Recognized in other comprehensive income (loss) | \$ (626)                               | \$ (1,632) |

c. Installment payments of income tax

Due to impact of the COVID-19 pandemic, the Group applied to the National Taxation Bureau for the payment of its income tax for the year 2019 in 36 equal installments on a monthly basis starting from July 2020 in accordance with Rule No. 10904533690 issued by the Ministry of Finance (MOF) of the Republic of China, and recognized the outstanding balance of \$230,853 thousand as income tax liabilities - current and of \$291,544 thousand as income tax liabilities - non-current based on the classification of current and non-current liabilities.

d. Income tax assessment

The Company's tax returns through 2019, have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

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

**Net Profit for the Period**

|                                                                          | For the Three Months Ended<br>March 31 |            |
|--------------------------------------------------------------------------|----------------------------------------|------------|
|                                                                          | 2021                                   | 2020       |
| Earnings used in the computation of basic and diluted earnings per share | \$ 809,175                             | \$ 178,586 |

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

|                                                                                               | For the Three Months Ended<br>March 31 |         |
|-----------------------------------------------------------------------------------------------|----------------------------------------|---------|
|                                                                                               | 2021                                   | 2020    |
| 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                                                                       | 30                                     | 49      |
| Weighted average number of common stock used in the computation of diluted earnings per share | 300,030                                | 300,049 |

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

## 25. CASH FLOW INFORMATION

### a. Non-cash transactions

For the three months ended March 31, 2021 and 2020, the Group entered into the following non-cash investing activities:

|                                                                                | For the Three Months Ended<br>March 31 |                     |
|--------------------------------------------------------------------------------|----------------------------------------|---------------------|
|                                                                                | 2021                                   | 2020                |
| <u>Investing activities affecting both cash and non-cash transactions</u>      |                                        |                     |
| Increase in property, plant and equipment                                      | \$ 236,599                             | \$ 11,075           |
| Net changes of prepayment for equipment                                        | (40,289)                               | 18,664              |
| Net changes of trade payables                                                  | <u>48,446</u>                          | <u>5,277</u>        |
| Cash paid for acquisition of property, plant and equipment                     | <u>\$ 244,756</u>                      | <u>\$ 35,016</u>    |
| Acquisition of investments accounted for using the equity method               | \$ -                                   | \$ -                |
| Net changes of other payables                                                  | <u>-</u>                               | <u>1,170,977</u>    |
| Cash paid for acquisition of investments accounted for using the equity method | <u>\$ -</u>                            | <u>\$ 1,170,977</u> |

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

|                   | Opening<br>Balance | Cash Flows         | New Leases      | Disposals       | March 31,<br>2021 |
|-------------------|--------------------|--------------------|-----------------|-----------------|-------------------|
| Lease liabilities | <u>\$ 682,121</u>  | <u>\$ (14,043)</u> | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ 668,078</u> |
|                   | Opening<br>Balance | Cash Flows         | New Leases      | Disposals       | March 31,<br>2020 |
| Lease liabilities | <u>\$ 724,349</u>  | <u>\$ (13,982)</u> | <u>\$ 4,036</u> | <u>\$ (584)</u> | <u>\$ 713,819</u> |

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

March 31, 2021

|                                  | Level 1      | Level 2 | Level 3 | Total        |
|----------------------------------|--------------|---------|---------|--------------|
| <u>Financial assets at FVTPL</u> |              |         |         |              |
| Mutual funds                     | \$ 3,536,517 | \$ -    | \$ -    | \$ 3,536,517 |

December 31, 2020

|                                  | Level 1    | Level 2 | Level 3 | Total      |
|----------------------------------|------------|---------|---------|------------|
| <u>Financial assets at FVTPL</u> |            |         |         |            |
| Mutual funds                     | \$ 626,514 | \$ -    | \$ -    | \$ 626,514 |

March 31, 2020

|                                     | Level 1      | Level 2 | Level 3   | Total        |
|-------------------------------------|--------------|---------|-----------|--------------|
| <u>Financial assets at FVTPL</u>    |              |         |           |              |
| Mutual funds                        | \$ 2,885,953 | \$ -    | \$ -      | \$ 2,885,953 |
| Trade receivables - related parties | -            | -       | 28,229    | 28,229       |
|                                     | \$ 2,885,953 | \$ -    | \$ 28,229 | \$ 2,914,182 |

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

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

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

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

c. Categories of financial instruments

|                                                  | March 31, 2021 | December 31,<br>2020 | March 31, 2020 |
|--------------------------------------------------|----------------|----------------------|----------------|
| <u>Financial assets</u>                          |                |                      |                |
| Fair value through profit or loss (FVTPL)        |                |                      |                |
| Mandatorily at FVTPL                             | \$ 3,536,517   | \$ 626,514           | \$ 2,914,182   |
| Financial assets at amortized cost (Note 1)      | 4,981,005      | 7,535,188            | 10,515,563     |
| <u>Financial liabilities</u>                     |                |                      |                |
| Financial liabilities at amortized cost (Note 2) | 1,639,107      | 1,037,979            | 1,419,345      |

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, part of trade receivables and other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables and part of other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

|             | <b>Renminbi</b>                                |              | <b>U.S. Dollar</b>                             |             | <b>Japanese Yen</b>                            |             |
|-------------|------------------------------------------------|--------------|------------------------------------------------|-------------|------------------------------------------------|-------------|
|             | <b>For the Three Months<br/>Ended March 31</b> |              | <b>For the Three Months<br/>Ended March 31</b> |             | <b>For the Three Months<br/>Ended March 31</b> |             |
|             | <b>2021</b>                                    | <b>2020</b>  | <b>2021</b>                                    | <b>2020</b> | <b>2021</b>                                    | <b>2020</b> |
| Gain (loss) | \$ (118,599)                                   | \$ (201,192) | \$ (23,831)                                    | \$ (17,754) | \$ (1,040)                                     | \$ (1,193)  |

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

b) Interest rate risk

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

|                               | <b>March 31, 2021</b> | <b>December 31,<br/>2020</b> | <b>March 31, 2020</b> |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Fair value interest rate risk |                       |                              |                       |
| Financial assets              | \$ 2,314,191          | \$ 5,238,392                 | \$ 2,605,999          |
| Financial liabilities         | 668,078               | 682,121                      | 713,819               |
| Cash flows interest rate risk |                       |                              |                       |
| Financial assets              | 1,999,500             | 1,728,646                    | 2,855,470             |

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2021 would increase/decrease by \$1,250 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2020 would increase/decrease by \$1,785 thousand which were mainly attributable to the Group's exposure to interest rates on its demand deposits and time deposits.

c) Other price risk

The Group was exposed to price risk through its investments in funds. The Group manages this exposure by investing in a diversified portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If the fund's value had been 1% higher/lower, pre-tax profit for the three months ended March 31, 2021 and 2020 would have been higher/lower by \$35,365 thousand and \$28,860 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

The Group's concentration of credit risk of 51%, 60% and 49% in total trade receivables as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively, were related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2021, December 31, 2020 and March 31, 2020, the available unutilized borrowings facilities were \$5,700,000 thousand, \$5,700,000 thousand and \$3,200,000 thousand, respectively.

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

March 31, 2021

|                                                 | On Demand<br>or Less than<br>1 Month | 1-3 Months       | 3 Months to<br>1 Year | 1-5 Years         | 5+ Years          |
|-------------------------------------------------|--------------------------------------|------------------|-----------------------|-------------------|-------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                  |                       |                   |                   |
| Non-interest bearing                            | \$ 1,580,748                         | \$ 55,371        | \$ 2,988              | \$ -              | \$ -              |
| Lease liabilities                               | <u>5,176</u>                         | <u>10,319</u>    | <u>39,159</u>         | <u>151,003</u>    | <u>533,719</u>    |
|                                                 | <u>\$ 1,585,924</u>                  | <u>\$ 65,690</u> | <u>\$ 42,147</u>      | <u>\$ 151,003</u> | <u>\$ 533,719</u> |

Additional information about the maturity analysis for lease liabilities:

|                   | Less than 1<br>Year | 1-5 Years         | 5-10 Years        | 10-15 Years       | 15-20 Years       | 20+ Years         |
|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Lease liabilities | <u>\$ 54,654</u>    | <u>\$ 151,003</u> | <u>\$ 160,751</u> | <u>\$ 154,309</u> | <u>\$ 107,381</u> | <u>\$ 111,278</u> |



December 31, 2020

|                                                 | On Demand<br>or Less than<br>1 Month | 1-3 Months                | 3 Months to<br>1 Year   | 1-5 Years              | 5+ Years               |
|-------------------------------------------------|--------------------------------------|---------------------------|-------------------------|------------------------|------------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                           |                         |                        |                        |
| Non-interest bearing<br>Lease liabilities       | \$ 1,028,818<br><u>5,198</u>         | \$ 8,796<br><u>10,396</u> | \$ 365<br><u>42,043</u> | \$ -<br><u>155,137</u> | \$ -<br><u>542,195</u> |
|                                                 | <u>\$ 1,034,016</u>                  | <u>\$ 19,192</u>          | <u>\$ 42,408</u>        | <u>\$ 155,137</u>      | <u>\$ 542,195</u>      |

Additional information about the maturity analysis for lease liabilities:

|                   | Less than 1<br>Year | 1-5 Years         | 5-10 Years        | 10-15 Years       | 15-20 Years       | 20+ Years         |
|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Lease liabilities | <u>\$ 57,637</u>    | <u>\$ 155,137</u> | <u>\$ 161,385</u> | <u>\$ 154,894</u> | <u>\$ 110,947</u> | <u>\$ 114,969</u> |

March 31, 2020

|                                                 | On Demand<br>or Less than<br>1 Month | 1-3 Months                 | 3 Months to<br>1 Year     | 1-5 Years              | 5+ Years               |
|-------------------------------------------------|--------------------------------------|----------------------------|---------------------------|------------------------|------------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                            |                           |                        |                        |
| Non-interest bearing<br>Lease liabilities       | \$ 1,362,986<br><u>5,115</u>         | \$ 51,711<br><u>10,181</u> | \$ 4,648<br><u>44,671</u> | \$ -<br><u>163,638</u> | \$ -<br><u>568,484</u> |
|                                                 | <u>\$ 1,368,101</u>                  | <u>\$ 61,892</u>           | <u>\$ 49,319</u>          | <u>\$ 163,638</u>      | <u>\$ 568,484</u>      |

Additional information about the maturity analysis for lease liabilities:

|                   | Less than 1<br>Year | 1-5 Years         | 5-10 Years        | 10-15 Years       | 15-20 Years       | 20+ Years         |
|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Lease liabilities | <u>\$ 59,967</u>    | <u>\$ 163,638</u> | <u>\$ 164,147</u> | <u>\$ 156,648</u> | <u>\$ 119,661</u> | <u>\$ 128,028</u> |

## 28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

| <u>Related Party</u>                                     | <u>Relationship with the Group</u>    |
|----------------------------------------------------------|---------------------------------------|
| Investors that have significant influence over the Group |                                       |
| Nissan Motor Corporation ("Nissan")                      | Equity-method investor of the Company |
| Yulon Motor Co., Ltd. ("Yulon")                          | Same as above                         |

(Continued)

| Related Party                                | Relationship with the Group         |
|----------------------------------------------|-------------------------------------|
| 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                       |
| 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                       |
| Yufong Property Management Co., Ltd.         | Sub-subsidiary of Yulon             |
| 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                       |

(Continued)

| Related Party                                                | Relationship with the Group                                                |
|--------------------------------------------------------------|----------------------------------------------------------------------------|
| Chi Ho Corporation                                           | Same as above                                                              |
| Yu Tang Motor Co., Ltd.                                      | Same as above                                                              |
| Tokio Marine Newa Insurance Co., Ltd.                        | Same as above                                                              |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | Same as above                                                              |
| Taiway, Ltd.                                                 | Same as above                                                              |
| Kian Shen Corporation                                        | Same as above                                                              |
| Hui-Lian Motor Co., Ltd.                                     | Same as above                                                              |
| Le-Wen Co., Ltd.                                             | Same as above                                                              |
| Visionary International Consulting Co., Ltd.                 | Same as above                                                              |
| Tai Yuen Textile Co., Ltd.                                   | Same as above                                                              |
| San Long Industrial Co., Ltd.                                | Same as above                                                              |
| China Motor Corporation                                      | Same as above                                                              |
| Sin Etke Technology Co., Ltd.                                | Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd. |
| Singual Technology Co., Ltd.                                 | Subsidiary of Singan Co., Ltd.                                             |
| Hsiang Shou Enterprise Co., Ltd.                             | Same as above                                                              |
| Hong Shou Culture Enterprise Co., Ltd.                       | Same as above                                                              |
| 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-subsubsidiary of Chen Long Co., Ltd.                                   |
| Yuan Jyh Motor Co., Ltd.                                     | Subsidiary of Yuan Lon Motor Co., Ltd.                                     |
| Yuan Rui Auto Co., Ltd.                                      | Same as above                                                              |
| Diamond Leasing Service Co., Ltd.                            | Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.                         |
| Hsieh Kuan Manpower Service Co., Ltd.                        | Subsidiary of Diamond Leasing Service Co., Ltd.                            |
| Tan Wang Co., Ltd.                                           | Subsidiary of Yu Chang Motor Co., Ltd.                                     |
| Carnival Textile Industrial Corporation                      | Substantial related party of the Company                                   |
| Y.M. Hi-Tech Industry Ltd.                                   | Subsidiary of China Ogihara Corporation                                    |
| DFS Industrial Group Co., Ltd.                               | Substantial related party of Dongfeng Nissan Passenger Vehicle Co.         |
| Luxgen Taoyuan Motor Co., Ltd.                               | Subsidiary of Luxgen Motor Co., Ltd.                                       |
| Luxgen Taichung Motor Co., Ltd.                              | Same as above                                                              |
| Luxgen Kaohsiung Motor Co., Ltd.                             | Same as above                                                              |
| ROC-Keeper Industrial Ltd.                                   | Subsidiary of ROC Spicer Co., Ltd.                                         |
| Kuen You Trading Co., Ltd.                                   | Investee of Yu Sing Motor Co., Ltd.                                        |
| Fengye Leasing Co., Ltd.                                     | Subsidiary of CL Skylite Trading Co., Ltd.                                 |
| Euniton Enterprise Co., Ltd.                                 | Substantial related party of Empower Motors Co., Ltd.                      |

(Concluded)

b. Related party transaction details

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

1) Operating transactions

|                                           | <b>For the Three Months Ended<br/>March 31</b> |                     |
|-------------------------------------------|------------------------------------------------|---------------------|
|                                           | <b>2021</b>                                    | <b>2020</b>         |
| <u>Sales</u>                              |                                                |                     |
| Taiwan Acceptance Corporation             | \$ 6,898,963                                   | \$ 6,316,341        |
| Investors that have significant influence | 2,037                                          | 2,780               |
| Other parties                             | <u>887,080</u>                                 | <u>885,845</u>      |
|                                           | <u>\$ 7,788,080</u>                            | <u>\$ 7,204,966</u> |
| <u>Service revenue</u>                    |                                                |                     |
| Nissan                                    | \$ 4,617                                       | \$ 40,421           |
| Autech Japan, Inc.                        | <u>-</u>                                       | <u>10,642</u>       |
|                                           | <u>\$ 4,617</u>                                | <u>\$ 51,063</u>    |

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

|                                | <b>For the Three Months Ended<br/>March 31</b> |                 |
|--------------------------------|------------------------------------------------|-----------------|
|                                | <b>2021</b>                                    | <b>2020</b>     |
| <u>Other operating revenue</u> |                                                |                 |
| Yulon                          | \$ -                                           | \$ 6,015        |
| Other parties                  | <u>21,252</u>                                  | <u>2,495</u>    |
|                                | <u>\$ 21,252</u>                               | <u>\$ 8,510</u> |

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

|                                           | <b>For the Three Months Ended<br/>March 31</b> |                     |
|-------------------------------------------|------------------------------------------------|---------------------|
|                                           | <b>2021</b>                                    | <b>2020</b>         |
| <u>Operating costs - purchases</u>        |                                                |                     |
| Yulon                                     | \$ 6,573,163                                   | \$ 5,862,565        |
| Investors that have significant influence | 11,711                                         | 9,034               |
| Other parties                             | <u>3,360</u>                                   | <u>4,660</u>        |
|                                           | <u>\$ 6,588,234</u>                            | <u>\$ 5,876,259</u> |

(Continued)

|                              | For the Three Months Ended<br>March 31 |                   |
|------------------------------|----------------------------------------|-------------------|
|                              | 2021                                   | 2020              |
| <u>Operating costs - TCA</u> |                                        |                   |
| Nissan                       | \$ 125,907                             | \$ 107,937        |
| Autech Japan, Inc.           | <u>710</u>                             | <u>17,365</u>     |
|                              | <u>\$ 126,617</u>                      | <u>\$ 125,302</u> |
|                              |                                        | (Concluded)       |

Remuneration for technical services is the payment for technical services provided by Nissan and Autech Japan, Inc. based on the Company's technical cooperation agreements with the two companies. The remuneration for technical services provided by Nissan is calculated based on the purchase costs less commodity tax of each vehicle model, while the remuneration for technical services provided by Autech Japan, Inc. is calculated based on the R&D fees of each vehicle model plus the royalty fees of each vehicle sold.

|                                            | For the Three Months Ended<br>March 31 |                   |
|--------------------------------------------|----------------------------------------|-------------------|
|                                            | 2021                                   | 2020              |
| <u>Selling and marketing expenses</u>      |                                        |                   |
| Yu Chang Motor Co., Ltd.                   | \$ 55,997                              | \$ 88,997         |
| Investors that have significant influence  | 2,680                                  | 2,854             |
| Other parties                              | <u>276,669</u>                         | <u>477,893</u>    |
|                                            | <u>\$ 335,346</u>                      | <u>\$ 569,744</u> |
| <u>General and administrative expenses</u> |                                        |                   |
| Yulon Management Co., Ltd.                 | \$ 102,650                             | \$ 44,900         |
| Investors that have significant influence  | 2,759                                  | 4,769             |
| Other parties                              | <u>1,251</u>                           | <u>1,545</u>      |
|                                            | <u>\$ 106,660</u>                      | <u>\$ 51,214</u>  |
| <u>Research and development expenses</u>   |                                        |                   |
| Investors that have significant influence  | \$ 2,028                               | \$ 4,749          |
| Yulon                                      | 1,181                                  | 17,477            |
| Other parties                              | <u>1,310</u>                           | <u>909</u>        |
|                                            | <u>\$ 4,519</u>                        | <u>\$ 23,135</u>  |

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

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

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

2) Non-operating transactions

|                                       | For the Three Months Ended<br>March 31 |          |
|---------------------------------------|----------------------------------------|----------|
|                                       | 2021                                   | 2020     |
| <u>Other revenues</u>                 |                                        |          |
| Tokio Marine Nawa Insurance Co., Ltd. | \$ -                                   | \$ 334   |
| <u>Overseas business expenses</u>     |                                        |          |
| Yulon Management Co., Ltd.            | \$ -                                   | \$ 1,102 |

3) Receivables from related parties

|                                           | March 31, 2021    | December 31,<br>2020 | March 31, 2020    |
|-------------------------------------------|-------------------|----------------------|-------------------|
| <u>Notes receivables</u>                  |                   |                      |                   |
| Yuan Lon Motor Co., Ltd.                  | \$ 63             | \$ -                 | \$ 271            |
| Yushin Motor Co., Ltd.                    | -                 | 579                  | 338               |
|                                           | <u>\$ 63</u>      | <u>\$ 579</u>        | <u>\$ 609</u>     |
| <u>Trade receivables</u>                  |                   |                      |                   |
| Taiwan Acceptance Corporation             | \$ 278,552        | \$ 229,872           | \$ 344,548        |
| Investors that have significant influence | 1,606             | 21,332               | 22,713            |
| Other parties                             | <u>94,147</u>     | <u>138,167</u>       | <u>114,741</u>    |
|                                           | <u>\$ 374,305</u> | <u>\$ 389,371</u>    | <u>\$ 482,002</u> |
| <u>Other receivables</u>                  |                   |                      |                   |
| Yulon                                     | \$ 245,968        | \$ 122,095           | \$ 308,550        |
| Other related parties                     | <u>2,911</u>      | <u>1,543</u>         | <u>9,859</u>      |
|                                           | <u>\$ 248,879</u> | <u>\$ 123,638</u>    | <u>\$ 318,409</u> |

Other receivables from Yulon are mainly purchase discounts and commodity taxes paid by the Company on behalf of Yulon.

Trade receivables from related parties are unsecured. For the years ended March 31, 2021 and 2020, no impairment loss was recognized on trade receivables from related parties.

As of March 31, 2020, the balance of trade receivables from related parties includes \$28,229 thousand, which were sold to Taiwan Acceptance Corporation without recourse. 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. Refer to Note 27 for the details.

4) Refundable deposits

|               | March 31, 2021    | December 31,<br>2020 | March 31, 2020   |
|---------------|-------------------|----------------------|------------------|
| Yulon         | \$ 494,841        | \$ 564,881           | \$ 96,473        |
| Other parties | <u>-</u>          | <u>-</u>             | <u>800</u>       |
|               | <u>\$ 494,841</u> | <u>\$ 564,881</u>    | <u>\$ 97,273</u> |

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

5) Prepayments

|                            | March 31, 2021    | December 31,<br>2020 | March 31, 2020    |
|----------------------------|-------------------|----------------------|-------------------|
| Yulon Management Co., Ltd. | <u>\$ 130,950</u> | <u>\$ -</u>          | <u>\$ 130,950</u> |

Prepayments to Yulon are for consulting, labor dispatch and IT services.

6) Contract liabilities

|                    | March 31, 2021 | December 31,<br>2020 | March 31, 2020   |
|--------------------|----------------|----------------------|------------------|
| Autech Japan, Inc. | <u>\$ -</u>    | <u>\$ -</u>          | <u>\$ 22,387</u> |

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

7) Payables to related parties

|                               | March 31, 2021    | December 31,<br>2020 | March 31, 2020    |
|-------------------------------|-------------------|----------------------|-------------------|
| <u>Trade payables</u>         |                   |                      |                   |
| Yulon                         | \$ 549,328        | \$ 54,631            | \$ 416,734        |
| Nissan                        | 125,907           | 118,405              | 107,937           |
| Other parties                 | <u>1,858</u>      | <u>1,908</u>         | <u>8,857</u>      |
|                               | <u>\$ 677,093</u> | <u>\$ 174,944</u>    | <u>\$ 533,528</u> |
| <u>Other payables</u>         |                   |                      |                   |
| Taiwan Acceptance Corporation | \$ 13,253         | \$ 24,206            | \$ 12,193         |
| Yulon                         | 9,236             | 35,474               | 13,924            |
| Nissan                        | 9,135             | 4,821                | 1,200             |
| Other related parties         | <u>213,632</u>    | <u>117,792</u>       | <u>249,706</u>    |
|                               | <u>\$ 245,256</u> | <u>\$ 182,293</u>    | <u>\$ 277,023</u> |

Trade payables to related parties are unsecured as of March 31, 2021 December 31, 2020 and March 31, 2020; the balance of payables for purchases of equipment from other payables was \$46,740 thousand, \$61,730 thousand and \$0 thousand, respectively.

8) Acquisition of property, plant and equipment

| Related Party         | Acquisition Price          |        |
|-----------------------|----------------------------|--------|
|                       | For the Three Months Ended |        |
|                       | March 31                   |        |
|                       | 2021                       | 2020   |
| Other related parties | \$ 7,197                   | \$ 210 |

9) Disposal of property, plant and equipment

| Related Party           | Sale Proceeds              |             | Loss on Disposal           |             |
|-------------------------|----------------------------|-------------|----------------------------|-------------|
|                         | For the Three Months Ended |             | For the Three Months Ended |             |
|                         | March 31                   |             | March 31                   |             |
|                         | 2021                       | 2020        | 2021                       | 2020        |
| Yu Tang Motor Co., Ltd. | \$ 4                       | \$ -        | \$ 1                       | \$ -        |
| Empower Motor Co., Ltd. | 3                          | -           | 1                          | -           |
|                         | <u>\$ 7</u>                | <u>\$ -</u> | <u>\$ 2</u>                | <u>\$ -</u> |

10) Lease arrangements - group is lessee

Acquisition of right-of-use assets

The Company's rental expenses paid monthly are primarily comprised of building property, car testing expenses, cars for its executives for the three months ended March 31, 2021 and 2020.

|                                            | For the Three Months Ended |          |
|--------------------------------------------|----------------------------|----------|
|                                            | March 31                   |          |
|                                            | 2021                       | 2020     |
| <u>Acquisitions of right-of-use assets</u> |                            |          |
| Other parties                              | \$ -                       | \$ 4,036 |

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.

|                          | March 31, 2021    | December 31, 2020 | March 31, 2020    |
|--------------------------|-------------------|-------------------|-------------------|
| <u>Lease liabilities</u> |                   |                   |                   |
| Yulon                    | \$ 654,122        | \$ 665,652        | \$ 700,085        |
| Other related parties    | <u>13,956</u>     | <u>16,469</u>     | <u>13,734</u>     |
|                          | <u>\$ 668,078</u> | <u>\$ 682,121</u> | <u>\$ 713,819</u> |



|                         | For the Three Months Ended<br>March 31 |                 |
|-------------------------|----------------------------------------|-----------------|
|                         | 2021                                   | 2020            |
| <u>Interest expense</u> |                                        |                 |
| Yulon                   | \$ 1,517                               | \$ 1,622        |
| Other parties           | <u>35</u>                              | <u>32</u>       |
|                         | <u>\$ 1,552</u>                        | <u>\$ 1,654</u> |

Interest expense is for lease liabilities.

|                      | For the Three Months Ended<br>March 31 |               |
|----------------------|----------------------------------------|---------------|
|                      | 2021                                   | 2020          |
| <u>Lease expense</u> |                                        |               |
| Yulon                | \$ 632                                 | \$ 658        |
| Other parties        | <u>140</u>                             | <u>230</u>    |
|                      | <u>\$ 772</u>                          | <u>\$ 888</u> |

Lease expenses included expenses relating to short-term leases and low-value asset leases that do not depend on an index or a rate. Future lease payables related to short-term leases, low-value asset leases are as follows:

|                       | March 31, 2021  | December 31,<br>2020 | March 31, 2020  |
|-----------------------|-----------------|----------------------|-----------------|
| Future lease payables | <u>\$ 2,316</u> | <u>\$ -</u>          | <u>\$ 2,316</u> |

c. Compensation of key management personnel

|                              | For the Three Months Ended<br>March 31 |                  |
|------------------------------|----------------------------------------|------------------|
|                              | 2021                                   | 2020             |
| Short-term employee benefits | \$ 11,169                              | \$ 9,696         |
| Post-employment benefits     | <u>623</u>                             | <u>516</u>       |
|                              | <u>\$ 11,792</u>                       | <u>\$ 10,212</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Other transactions with related parties

1) The Company sold trade receivables to Taiwan Acceptance Corporation

The Company sold to Taiwan Acceptance Corporation trade receivables which amounted to \$471,851 thousand and \$444,842 thousand for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021 and 2020, the Company had received \$430,280 thousand and \$444,842 thousand, respectively. Based on the related contract, the amount of receivables sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The interest rate intervals of the Company's trade receivables sold to Taiwan Acceptance Corporation for the three months ended March 31, 2021 and 2020 were 2.31% and 2.41%; and the interest expenses recognized were \$245 thousand and \$257 thousand, respectively.

As of March 31, 2021, the Company sold trade receivables to Taiwan Acceptance Corporation without recourse. The sale resulted in the derecognition of these trade receivables because the Company transferred the significant risks and rewards relating to the accounts to the buyer.

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

The contract is valid from the date of signing of the contract to the production end date of the car model. As of March 31, 2021, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$1,242,969 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Diamond Leasing Service Co., Ltd., the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

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

The contract is valid from the date of signing of the contract to the production end date of the car model. As of March 31, 2021, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$488,226 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Shinshin Credit Corporation the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

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

The contract is valid from the date of signing of the contract to the production end date of the car model. As of March 31, 2021, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$485,303 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Sinjang Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

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

The contract is valid from the date of signing of the contract to the production end date of the car model. As of March 31, 2021, the contract amount of molds still under production, which was paid in installments based on the progress of the contract, was \$69,360 thousand (excluding business tax), and had been paid in full and recognized as property, plant and equipment. In addition, within the contract period, before the end of January every year, the Company should pay Chan Yun Technology Co., Ltd. the amount of \$2.6 for every ten thousand dollars of the accumulated amount paid for molds in the prior year.

## 29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2021 were as follows:

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

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to March 31, 2021, no buy-back of vehicles has occurred.

- c. Unrecognized commitments

|                                              | March 31, 2021   | December 31,<br>2020 | March 31, 2020   |
|----------------------------------------------|------------------|----------------------|------------------|
| Acquisition of property, plant and equipment | <u>\$ 36,452</u> | <u>\$ 5,073</u>      | <u>\$ 73,240</u> |

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

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

March 31, 2021

|                         | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount  |
|-------------------------|-----------------------|------------------|---------------------|
| <u>Financial assets</u> |                       |                  |                     |
| Monetary items          |                       |                  |                     |
| RMB                     | \$ 29                 | 4.3440 (RMB:NTD) | \$ 126              |
| USD                     | 16,703                | 28.535 (USD:NTD) | 476,620             |
| RMB                     | 546,131               | 0.1522 (RMB:USD) | 2,371,847           |
| JPY                     | 80,746                | 0.2577 (JPY:NTD) | <u>20,808</u>       |
|                         |                       |                  | <u>\$ 2,869,401</u> |

(Continued)

|                              | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount          |
|------------------------------|-----------------------|------------------|-----------------------------|
| Non-monetary items<br>USD    | \$ 595,754            | 28.535 (USD:NTD) | <u>\$ 16,999,836</u>        |
| <u>Financial liabilities</u> |                       |                  |                             |
| Monetary items<br>JPY        | 58                    | 0.2577 (JPY:NTD) | <u>\$ 15</u><br>(Concluded) |

December 31, 2020

|                              | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount   |
|------------------------------|-----------------------|------------------|----------------------|
| <u>Financial assets</u>      |                       |                  |                      |
| Monetary items               |                       |                  |                      |
| RMB                          | \$ 1,047,800          | 4.3770 (RMB:NTD) | \$ 4,586,221         |
| USD                          | 15,287                | 28.480 (USD:NTD) | 435,374              |
| RMB                          | 368,702               | 0.1533 (RMB:USD) | 1,609,747            |
| JPY                          | 27,697                | 0.2763 (JPY:NTD) | <u>7,653</u>         |
|                              |                       |                  | <u>\$ 6,638,995</u>  |
| Non-monetary items<br>USD    | 565,438               | 28.480 (USD:NTD) | <u>\$ 16,103,655</u> |
| <u>Financial liabilities</u> |                       |                  |                      |
| Monetary items<br>JPY        | 8                     | 0.2763 (JPY:NTD) | <u>\$ 2</u>          |

March 31, 2020

|                              | Foreign<br>Currencies | Exchange Rate    | Carrying<br>Amount   |
|------------------------------|-----------------------|------------------|----------------------|
| <u>Financial assets</u>      |                       |                  |                      |
| Monetary items               |                       |                  |                      |
| RMB                          | \$ 403,125            | 4.2550 (RMB:NTD) | \$ 1,715,297         |
| USD                          | 11,748                | 30.225 (USD:NTD) | 355,083              |
| RMB                          | 541,313               | 0.1411 (RMB:USD) | 2,308,538            |
| JPY                          | 85,665                | 0.2788 (JPY:NTD) | <u>23,883</u>        |
|                              |                       |                  | <u>\$ 4,402,801</u>  |
| Non-monetary items<br>USD    | 362,271               | 30.225 (USD:NTD) | <u>\$ 10,949,639</u> |
| <u>Financial liabilities</u> |                       |                  |                      |
| Monetary items<br>JPY        | 76                    | 0.2788 (JPY:NTD) | <u>\$ 21</u>         |

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

| For the Three Months Ended March 31 |                  |                                        |                  |                                        |
|-------------------------------------|------------------|----------------------------------------|------------------|----------------------------------------|
| 2021                                |                  |                                        | 2020             |                                        |
| Foreign Currencies                  | Exchange Rate    | Net Foreign<br>Exchange Gain<br>(Loss) | Exchange Rate    | Net Foreign<br>Exchange Gain<br>(Loss) |
| RMB                                 | 4.3760 (RMB:NTD) | \$ (54,120)                            | 4.3100 (RMB:NTD) | \$ (6,715)                             |
| RMB                                 | 0.1543 (RMB:USD) | (11,128)                               | 0.1434 (RMB:USD) | (101,141)                              |
| USD                                 | 28.366 (USD:NTD) | 1,322                                  | 30.106 (USD:NTD) | 2,558                                  |
| JPY                                 | 0.2678 (JPY:NTD) | <u>(1,304)</u>                         | 0.2764 (JPY:NTD) | <u>436</u>                             |
|                                     |                  | <u>\$ (65,230)</u>                     |                  | <u>\$ (104,862)</u>                    |

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - The amount of property transactions and the amount of the resultant gains or losses.
  - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders  
List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8 (attached).

### 32. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales.

Part segment: Parts sales.

Investment segment: Overseas business activities

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

#### a. Segment revenues and results

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

|                    | Revenue                                |                     | Profit Before Tax                      |              |
|--------------------|----------------------------------------|---------------------|----------------------------------------|--------------|
|                    | For the Three Months Ended<br>March 31 |                     | For the Three Months Ended<br>March 31 |              |
|                    | 2021                                   | 2020                | 2021                                   | 2020         |
| Vehicle segment    | \$ 6,900,551                           | \$ 6,324,504        | \$ (37,789)                            | \$ (156,119) |
| Part segment       | 972,631                                | 976,183             | 189,713                                | 193,397      |
| Investment segment | -                                      | -                   | 988,138                                | 322,938      |
| Other segment      | 27,703                                 | 59,946              | (72,164)                               | (27,588)     |
|                    | <u>\$ 7,900,885</u>                    | <u>\$ 7,360,633</u> | 1,067,898                              | 332,628      |

(Continued)

|                                                                                                          | <b>Revenue</b>                                 |             | <b>Profit Before Tax</b>                       |                                  |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------|------------------------------------------------|----------------------------------|
|                                                                                                          | <b>For the Three Months Ended<br/>March 31</b> |             | <b>For the Three Months Ended<br/>March 31</b> |                                  |
|                                                                                                          | <b>2021</b>                                    | <b>2020</b> | <b>2021</b>                                    | <b>2020</b>                      |
| Loss on disposal of property,<br>plant and equipment                                                     |                                                |             | \$ (18)                                        | \$ -                             |
| Interest income                                                                                          |                                                |             | 15,637                                         | 23,348                           |
| Gain (loss) on fair value<br>changes of financial assets at<br>fair value through profit or<br>loss, net |                                                |             | 3                                              | (17,573)                         |
| Foreign exchange loss, net                                                                               |                                                |             | (65,230)                                       | (104,862)                        |
| Interest expense                                                                                         |                                                |             | (3,076)                                        | (1,911)                          |
| Central administration costs<br>and directors' compensation                                              |                                                |             | <u>(3,350)</u>                                 | <u>(3,350)</u>                   |
| Profit before tax                                                                                        |                                                |             | <u>\$ 1,011,864</u>                            | <u>\$ 228,280</u><br>(Concluded) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended March 31, 2021 and 2020.

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

b. Segment total assets

|                           | <b>March 31, 2021</b> | <b>December 31,<br/>2020</b> | <b>March 31, 2020</b> |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Vehicle segment           | \$ 1,845,990          | \$ 1,803,075                 | \$ 1,640,465          |
| Part segment              | 23,168                | 24,493                       | 28,275                |
| Investment segment        | 16,999,836            | 16,103,655                   | 15,179,891            |
| Other segment             | <u>137,903</u>        | <u>101,910</u>               | <u>104,640</u>        |
|                           | 19,006,897            | 18,033,133                   | 16,953,271            |
| Unallocated assets        | <u>10,090,972</u>     | <u>9,731,497</u>             | <u>10,572,720</u>     |
| Consolidated total assets | <u>\$ 29,097,869</u>  | <u>\$ 27,764,630</u>         | <u>\$ 27,525,991</u>  |

TABLE 1

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

| Investor                         | Securities Type and Name                                        | Relationship with the Investor | Financial Statement Account                           | March 31, 2021     |                 |                         | Note                                   |
|----------------------------------|-----------------------------------------------------------------|--------------------------------|-------------------------------------------------------|--------------------|-----------------|-------------------------|----------------------------------------|
|                                  |                                                                 |                                |                                                       | Stocks (Thousands) | Carrying Amount | Percentage of Ownership | Market Value or Net Asset Value (Note) |
| Yulon Nissan Motor Company, Ltd. | Beneficiary certificates                                        | -                              | Financial assets at fair value through profit or loss | 27,915             | \$ 400,007      | -                       | \$ 400,007                             |
|                                  | Taishin Ta-Chong Money Market Fund                              | -                              | Financial assets at fair value through profit or loss | 23,699             | 300,000         | -                       | 300,000                                |
|                                  | Mega Diamond Money Market Fund                                  | -                              | Financial assets at fair value through profit or loss | 13,453             | 201,277         | -                       | 201,277                                |
|                                  | Jih Sun Money Market Fund                                       | -                              | Financial assets at fair value through profit or loss | 19,255             | 200,945         | -                       | 200,945                                |
|                                  | Franklin Templeton Sinoam Money Market Fund                     | -                              | Financial assets at fair value through profit or loss | 15,823             | 200,010         | -                       | 200,010                                |
|                                  | Allianz Global Investors Taiwan Money Market Fund               | -                              | Financial assets at fair value through profit or loss | 12,157             | 200,009         | -                       | 200,009                                |
|                                  | Nomura Taiwan Money Market                                      | -                              | Financial assets at fair value through profit or loss | 16,580             | 200,007         | -                       | 200,007                                |
|                                  | The RSIT Enhanced Money Market Fund                             | -                              | Financial assets at fair value through profit or loss | 14,256             | 200,006         | -                       | 200,006                                |
|                                  | SinoPac TWD Money Market Fund                                   | -                              | Financial assets at fair value through profit or loss | 14,724             | 200,002         | -                       | 200,002                                |
|                                  | Fuh Hua You Li Money Market Fund                                | -                              | Financial assets at fair value through profit or loss | 17,127             | 200,001         | -                       | 200,001                                |
|                                  | KGI Victory Money Market Fund                                   | -                              | Financial assets at fair value through profit or loss | 12,289             | 200,001         | -                       | 200,001                                |
|                                  | FSITC Taiwan Money Market                                       | -                              | Financial assets at fair value through profit or loss | 12,807             | 200,001         | -                       | 200,001                                |
|                                  | Capital Money Market Fund                                       | -                              | Financial assets at fair value through profit or loss | 19,526             | 200,000         | -                       | 200,000                                |
|                                  | Shin Kong Chi-Shin Money-Market Fund                            | -                              | Financial assets at fair value through profit or loss | 7,974              | 100,005         | -                       | 100,005                                |
|                                  | TCB Taiwan Money Market Fund                                    | -                              | Financial assets at fair value through profit or loss | 7,263              | 100,001         | -                       | 100,001                                |
|                                  | Cathay Taiwan Money Market Fund                                 | -                              | Financial assets at fair value through profit or loss | 5,997              | 87,608          | -                       | 87,608                                 |
|                                  | PineBridge Taiwan Money Market Securities Investment Trust Fund | -                              | Financial assets at fair value through profit or loss | 2,713              | 33,942          | -                       | 33,942                                 |
|                                  | PineBridge Global Multi-Strategy High Yield Bond Fund A TWD     | -                              | Financial assets at fair value through profit or loss | 2,922              | 29,481          | -                       | 29,481                                 |
|                                  | PineBridge Emerging Market Asia-Pacific Strategic Bond A        | -                              | Financial assets at fair value through profit or loss | 2,226              | 23,509          | -                       | 23,509                                 |
|                                  | PineBridge Global ESG Quantitative Bond Fund A TWD              | -                              | Financial assets at fair value through profit or loss | 1,962              | 21,372          | -                       | 21,372                                 |
|                                  | Manulife Global Preferred Income Fund A                         | -                              | Financial assets at fair value through profit or loss | 800                | 18,872          | -                       | 18,872                                 |
|                                  | Nomura Global Financial Bond Fund Acc TWD                       | -                              | Financial assets at fair value through profit or loss | 186                | 12,879          | -                       | 12,879                                 |
|                                  | Nomura Global Equity Fund TWD                                   | -                              | Financial assets at fair value through profit or loss | 66                 | 3,320           | -                       | 3,320                                  |
|                                  | Allianz Global Investors Taiwan Intelligence Trends Fund        | -                              | Financial assets at fair value through profit or loss | 277                | 3,255           | -                       | 3,255                                  |
|                                  | Fuh Hua Heirloom No. 2 Balance Fund                             | -                              | Financial assets at fair value through profit or loss |                    |                 |                         |                                        |
|                                  | FSITC Global Utilities and Infrastructure Fund TWD Acc          | -                              | Financial assets at fair value through profit or loss |                    |                 |                         |                                        |

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value as of March 31, 2021.



TABLE 2

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

| Company Name                     | Type and Name of Marketable Securities                               | Financial Statement Account                           | Counterparty | Relationship | Beginning Balance  |        | Acquisition        |            | Disposal           |        | Gain (Loss) on Disposal |                         | Ending Balance     |               |
|----------------------------------|----------------------------------------------------------------------|-------------------------------------------------------|--------------|--------------|--------------------|--------|--------------------|------------|--------------------|--------|-------------------------|-------------------------|--------------------|---------------|
|                                  |                                                                      |                                                       |              |              | Stocks (Thousands) | Amount | Stocks (Thousands) | Amount     | Stocks (Thousands) | Amount | Carrying Amount         | Gain (Loss) on Disposal | Stocks (Thousands) | Amount (Note) |
| Yulon Nissan Motor Company, Ltd. | Beneficiary certificates                                             | Financial assets at fair value through profit or loss | -            | -            | -                  | \$ -   | 27,915             | \$ 400,000 | -                  | \$ -   | \$ -                    | \$ -                    | 27,915             | \$ 400,000    |
|                                  | Taishin Ta-Chong Money Market Fund<br>Mega Diamond Money Market Fund | Financial assets at fair value through profit or loss | -            | -            | -                  | -      | 23,699             | 300,000    | -                  | -      | -                       | -                       | 23,699             | 300,000       |

Note: Shown at their original investment amount.

## YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(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/<br>Sale   | Amount       | % to<br>Total | Payment Terms                   | Unit Price                    | Payment Terms | Ending Balance                      | % to<br>Total<br>(Note 2) |      |
| Yulon Nissan Motor Company, Ltd. | Yulon                         | Equity-method investor of the Company | Purchase            | \$ 6,573,163 | 98            | 4 days after sales for parts    | \$ -                          | -             | \$ (549,328)                        | 56                        | -    |
|                                  | Taiwan Acceptance Corporation | Subsidiary of Yulon                   | Sale                | 6,898,963    | 88            | 3 days after sales for vehicles | -                             | -             | 278,552                             | 43                        | -    |
|                                  | Yuan Lon Motor Co., Ltd.      | Substantial related party of Yulon    | Sale                | 112,078      | 1             | Same as above                   | -                             | -             | 14,537                              | 2                         | -    |
|                                  | Yu Chang Motor Co., Ltd.      | Subsidiary of Yulon                   | Sale                | 117,930      | 1             | 14 days after sales for parts   | -                             | -             | 13,171                              | 2                         | -    |

Note 1: Transaction terms are based on agreements.

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

| Company Name                     | Related Party                          | Nature of Relationship                                       | Financial Statement Account<br>and Ending Balance         | Turnover Rate<br>(Note 1) | Overdue   |              | Amounts<br>Received in<br>Subsequent<br>Period | Allowance for<br>Bad Debts |
|----------------------------------|----------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|---------------------------|-----------|--------------|------------------------------------------------|----------------------------|
|                                  |                                        |                                                              |                                                           |                           | Amount    | Action Taken |                                                |                            |
| Yulon Nissan Motor Company, Ltd. | Taiwan Acceptance Corporation<br>Yulon | Subsidiary of Yulon<br>Equity-method investor of the Company | Trade receivables \$ 278,552<br>Other receivables 245,948 | 108.55<br>Note 2          | \$ -<br>- | -<br>-       | \$ 278,552<br>233,308                          | \$ -<br>-                  |

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.

TABLE 5

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

| Investor Company                     | Investee Company                     | Location               | Main Businesses and Products | Original Investment Amount    |                               | As of March 31, 2021 |     | Net Income of the Investee | Share of Profit | Note          |
|--------------------------------------|--------------------------------------|------------------------|------------------------------|-------------------------------|-------------------------------|----------------------|-----|----------------------------|-----------------|---------------|
|                                      |                                      |                        |                              | March 31, 2021                | December 31, 2020             | Stocks (Thousands)   | %   |                            |                 |               |
| Yulon Nissan Motor Company, Ltd.     | Yi-Jan Overseas Investment Co., Ltd. | Cayman Islands         | Investment                   | \$ 1,847,983<br>(US\$ 57,371) | \$ 1,847,983<br>(US\$ 57,371) | 84,987               | 100 | \$ 977,774                 | \$ 977,774      | Notes 1 and 2 |
| Yi-Jan Overseas Investment Co., Ltd. | Jetford Inc.                         | British Virgin Islands | Investment                   | US\$ 57,171                   | US\$ 57,171                   | 71,772               | 100 | US\$ 34,471                | US\$ 34,471     | Notes 1 and 2 |

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

Note 2: Eliminated.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

| Number<br>(Note 1) | Company Name                     | Related Party | Relationship<br>(Note 2) | Transaction Details                                                                     |                     |                                                                  |
|--------------------|----------------------------------|---------------|--------------------------|-----------------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------|
|                    |                                  |               |                          | Financial Statement Account                                                             | Amount<br>(Note 3)  | Payment Terms<br>(Note 4) % to Total Sales or<br>Assets (Note 5) |
| 0                  | Yulon Nissan Motor Company, Ltd. | Jetford Inc.  | a                        | Trade receivables - related parties<br>Reduction of general and administrative expenses | \$ 10,232<br>10,171 | -<br>-                                                           |

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

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

Note 3: Eliminated.

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

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

TABLE 7

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(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 from Investment from January 1, 2021                        | Investment Flows |              | Accumulated Outward Remittance from Investment from March 31, 2021 | % Ownership of Direct or Indirect Investment | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note 2) | Carrying Amount as of March 31, 2021 | Accumulated Repatriation of Investment Income as of March 31, 2021 |
|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------|------------------|--------------|--------------------------------------------------------------------|----------------------------------------------|-----------------------------------|---------------------------------|--------------------------------------|--------------------------------------------------------------------|
|                                                                                      |                                                                         |                              |                                                 |                                                                                            | Outflow          | Inflow       |                                                                    |                                              |                                   |                                 |                                      |                                                                    |
| Aeolus Xiangyang Automobile Co., Ltd.                                                | Developing and manufacturing of parts and vehicles and related services | \$ 4,529,078 (RMB 1,032,500) | Note 1                                          | \$ 716,856 (US\$ 21,700)                                                                   | \$ -             | \$ -         | \$ 716,856 (US\$ 21,700)                                           | 16.55                                        | \$ 515,767 (US\$ 18,183)          | \$ 85,359 (US\$ 3,009)          | \$ 1,661,976 (US\$ 58,243)           | \$ 4,360,962 (US\$ 139,843)                                        |
| Guangzhou Aeolus Automobile Co., Ltd.                                                | Developing and manufacturing of parts and vehicles and related services | 9,486,201 (RMB 2,303,250)    | Note 1                                          | 1,124,786 (US\$ 35,471)                                                                    | -                | -            | 1,124,786 (US\$ 35,471)                                            | 42.69                                        | 2,116,355 (US\$ 74,609)           | 903,472 (US\$ 31,851)           | 15,337,860 (US\$ 537,510)            | 39,064,748 (US\$ 1,271,613)                                        |
| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2021 |                                                                         |                              |                                                 | 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)                                                                  |                  | \$13,438,148 |                                                                    |                                              |                                   |                                 |                                      |                                                                    |

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

Note 2: The carrying amount and related investment income of the equity investment were calculated based on the reviewed financial statements and percentage of ownership.

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

**TABLE 8****YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

| Name of Major Shareholder | Shares           |                             |
|---------------------------|------------------|-----------------------------|
|                           | Number of Shares | Percentage of Ownership (%) |
| Yulon Motor Co., Ltd.     | 143,500,000      | 47.83                       |
| Nissan Motor Corporation  | 120,000,000      | 40.00                       |

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the non-physical securities delivery (including treasury shares) is more than 5%. The share capital recorded in the Company's consolidated financial report and the actual number of non-physical securities delivered may be different or different due to the basis of preparation and calculation.