

Yulon Motor Company Ltd.

**Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yulon Motor Company Ltd.

Opinion

We have audited the accompanying financial statements of Yulon Motor Company Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Yulon Motor Company Ltd. as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2016 are stated as follows:

Impairment Assessment of Vehicle Model Development Cost and Molds of
Luxgen Motor Co., Ltd., Investment Accounted for Using Equity Method

(Please refer to Note 12.)

The vehicle model development cost of Luxgen Motor Co., Ltd., investment accounted for using equity method, was \$5,733,470 thousand, and the molds equipment used for the production of the vehicle model was \$3,457,831 thousand. Luxgen Motor Co., Ltd. identifies different models of vehicles as separate cash-generating units, and tests them for impairment annually.

The amounts of vehicle model development cost and molds equipment used for the production of the model were material to the financial statements as a whole. Furthermore, assessment of the recoverable amount used in impairment testing is an area of professional judgment. As a result, impairment assessment of the vehicle model development cost and molds equipment is determined as a key audit matter. The main audit procedures we have performed in respect of the key audit matter stated above were as follows:

1. We understood the process and basis for the estimated growth rate and profitability of the sales forecast of the Company.
2. We reviewed whether the estimated operating cash flow was consistent with operating prospectus approved by the board of directors and inquired whether the future cash flow considered the latest operating performance and industry overview.
3. We assessed the evaluation model used by the management.
4. We assessed the weighted average cost of capital (WACC) used by the management in calculating the recoverable amount in accordance with the valuation model, including risk-free rate, volatility and risk premium. We verified that the WACC was consistent with the Company's status and the industry.

Impairment of Trade Receivable of Taiwan Acceptance Corporation and Its Subsidiaries ("TAC Group"), Investment Accounted for Using Equity Method

(Please refer to Note 12.)

The determination of estimated impairment of trade receivable of the TAC Group takes into consideration the present value of estimated future cash flows based on foreseeable economic status forecast by the management. This is determined to be material to the financial statements as a whole and involves significant management judgement; thus, this is determined as a key audit matter. As of December 31, 2016, allowance for impairment loss of trade receivable was NT\$2,073,883 thousand, representing 2.73% of TAC Group's total trade receivable; impairment loss of trade receivable recognized in TAC Group's consolidated statement of comprehensive income for the year ended December 31, 2016 was NT\$1,228,225 thousand, representing 22.09% of operating expenses.

Our audit procedures included:

1. We understood the policies on impairment of trade receivable and assessed the reasonableness of impairment of receivables by performing inquiry, and reperformance of related internal controls.
2. We involved our IT specialists in testing the system that generated trade receivable related documents used by management in performing the controls.
3. We performed analytical procedures on current and prior years' receivable balances and write-off of allowance for impairments to assess the reasonableness of the recognized impairment loss.
4. We assessed the data and model used in the estimation of receivable impairment, including collection of impaired receivables and discount rates.
5. We recalculated the impairment based on the impairment policy of the Group.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei, Tai and Yu-Wei, Fan.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

Notice to Readers

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

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

YULON MOTOR COMPANY LTD.

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,610,313	8	\$ 7,235,569	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	449,091	1	3,578,574	4
Debt investments with no active market - current (Notes 4 and 9)	3,989,600	5	2,417,500	3
Note and trade receivable (Notes 4 and 10)	67,566	-	78,611	-
Notes and trade receivable from related parties (Notes 4, 10 and 23)	384,964	-	798,894	1
Other receivables (Notes 4, 10 and 23)	502,298	1	403,553	1
Inventories (Notes 4 and 11)	3,987,664	5	4,020,898	5
Other current assets	417,331	1	323,681	-
Total current assets	<u>16,408,827</u>	<u>21</u>	<u>18,857,280</u>	<u>23</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 4)	48,519	-	50,690	-
Financial assets measured at cost - non-current (Notes 4 and 8)	27,931	-	28,411	-
Investments accounted for using equity method (Notes 4 and 12)	41,322,203	52	42,989,654	53
Property, plant and equipment (Notes 4 and 13)	6,238,698	8	6,225,143	8
Investment properties (Notes 4 and 14)	10,598,281	13	10,593,099	13
Other intangible assets (Note 4)	68,642	-	85,860	-
Deferred tax assets (Notes 4 and 19)	515,318	1	529,902	1
Other non-current assets	4,017,663	5	1,270,965	2
Total non-current assets	<u>62,837,255</u>	<u>79</u>	<u>61,773,724</u>	<u>77</u>
TOTAL	<u>\$ 79,246,082</u>	<u>100</u>	<u>\$ 80,631,004</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	\$ 2,112,501	3	\$ 1,600,295	2
Trade payables to related parties (Note 23)	1,205,530	1	1,431,476	2
Other payables (Notes 15 and 23)	1,300,853	2	1,220,028	1
Current tax liabilities (Notes 4 and 19)	492,765	1	28,984	-
Other current liabilities	163,492	-	65,144	-
Total current liabilities	<u>5,275,141</u>	<u>7</u>	<u>4,345,927</u>	<u>5</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	2,518,765	3	2,537,470	3
Net defined benefit liabilities - non-current (Notes 4 and 16)	1,227,654	1	1,665,449	2
Deposits received	457,891	1	528,185	1
Credit balance on the carrying value of investments accounted for using the equity method (Notes 4 and 12)	23,216	-	51,660	-
Other non-current liabilities	28,869	-	24,389	-
Total non-current liabilities	<u>4,256,395</u>	<u>5</u>	<u>4,807,153</u>	<u>6</u>
Total liabilities	<u>9,531,536</u>	<u>12</u>	<u>9,153,080</u>	<u>11</u>
EQUITY (Note 17)				
Share capital				
Ordinary shares	15,729,199	20	15,729,199	20
Capital surplus	6,664,910	8	6,650,489	8
Retained earnings				
Legal reserve	7,715,818	10	7,380,610	9
Special reserve	36,373,565	46	35,373,565	44
Unappropriated earnings	2,375,157	3	4,157,281	5
Total retained earnings	46,464,540	59	46,911,456	58
Other equity				
Exchange differences on translating foreign operations	75,147	-	1,484,838	2
Unrealized gain on available-for-sale financial assets	1,157,054	2	1,078,584	1
Cash flow hedges	-	-	(338)	-
	<u>1,232,201</u>	<u>2</u>	<u>2,563,084</u>	<u>3</u>
Treasury shares	(376,304)	(1)	(376,304)	-
Total equity	<u>69,714,546</u>	<u>88</u>	<u>71,477,924</u>	<u>89</u>
TOTAL	<u>\$ 79,246,082</u>	<u>100</u>	<u>\$ 80,631,004</u>	<u>100</u>

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

YULON MOTOR COMPANY LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)				
Sales	\$ 38,827,272	97	\$ 37,230,532	96
Other operating revenue	<u>1,170,752</u>	<u>3</u>	<u>1,595,585</u>	<u>4</u>
Total operating revenue	<u>39,998,024</u>	<u>100</u>	<u>38,826,117</u>	<u>100</u>
OPERATING COSTS (Notes 11, 13, 16, 18 and 23)				
Cost of goods sold	36,674,883	92	35,347,076	91
Other operating cost	<u>331,390</u>	<u>1</u>	<u>499,280</u>	<u>1</u>
Total operating costs	<u>37,006,273</u>	<u>93</u>	<u>35,846,356</u>	<u>92</u>
GROSS PROFIT	2,991,751	7	2,979,761	8
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>7,171</u>	<u>-</u>	<u>8,786</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,998,922</u>	<u>7</u>	<u>2,988,547</u>	<u>8</u>
OPERATING EXPENSES (Notes 16, 18 and 23)				
Selling and marketing expenses	134,455	-	135,490	-
General and administrative expenses	889,213	2	908,891	2
Research and development expenses	<u>172,399</u>	<u>1</u>	<u>159,304</u>	<u>1</u>
Total operating expenses	<u>1,196,067</u>	<u>3</u>	<u>1,203,685</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,802,855</u>	<u>4</u>	<u>1,784,862</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSE				
Share of (losses)/gains of subsidiaries, associates and joint ventures (Notes 4 and 12)	(178,709)	-	1,135,997	3
Other income (Note 18)	49,723	-	52,250	-
Interest income	56,158	-	85,435	-
Finance costs	(1,933)	-	(1,536)	-
Other gains (Note 18)	<u>81,548</u>	<u>-</u>	<u>458,492</u>	<u>1</u>
Total non-operating income	<u>6,787</u>	<u>-</u>	<u>1,730,638</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	1,809,642	4	3,515,500	9
INCOME TAX EXPENSE (Notes 4 and 19)	<u>474,939</u>	<u>1</u>	<u>163,422</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,334,703</u>	<u>3</u>	<u>3,352,078</u>	<u>9</u>

(Continued)

YULON MOTOR COMPANY LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (174,573)	(1)	\$ (110,940)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(104,791)</u>	<u>-</u>	<u>(121,805)</u>	<u>(1)</u>
	<u>(279,364)</u>	<u>(1)</u>	<u>(232,745)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	(2,170)	-	(24,200)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(1,328,713)</u>	<u>(3)</u>	<u>(519,772)</u>	<u>(1)</u>
	<u>(1,330,883)</u>	<u>(3)</u>	<u>(543,972)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(1,610,247)</u>	<u>(4)</u>	<u>(776,717)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (275,544)</u>	<u>(1)</u>	<u>\$ 2,575,361</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	<u>\$ 0.91</u>		<u>\$ 2.29</u>	
Diluted	<u>\$ 0.91</u>		<u>\$ 2.29</u>	

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

(Concluded)

YULON MOTOR COMPANY LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)**

	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges		
BALANCE, JANUARY 1, 2015	\$ 15,729,199	\$ 6,561,260	\$ 7,159,575	\$ 35,373,565	\$ 3,446,670	\$ 1,721,402	\$ 1,386,228	\$ (574)	\$ (376,304)	\$ 71,001,021
Appropriation of 2014 earnings										
Legal reserve	-	-	221,035	-	(221,035)	-	-	-	-	-
Special reserve	-	-	-	-	(1,000,000)	-	-	-	-	(1,000,000)
Cash dividends distributed by the Company (NT\$0.7 per share)	-	-	-	-	(1,101,044)	-	-	-	-	(1,101,044)
Change in equity from investments in subsidiaries, associates and joint ventures accounted for by using equity method	-	89,229	-	-	(86,643)	-	-	-	-	2,586
Net profit for the year ended December 31, 2015	-	-	-	-	3,352,078	-	-	-	-	3,352,078
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(232,745)	(236,564)	(307,644)	236	-	(776,717)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	3,119,333	(236,564)	(307,644)	236	-	2,575,361
BALANCE, DECEMBER 31, 2015	15,729,199	6,650,489	7,380,610	35,373,565	4,157,281	1,484,838	1,078,584	(338)	(376,304)	71,477,924
Appropriation of the 2015 earnings										
Legal reserve	-	-	335,208	-	(335,208)	-	-	-	-	-
Special reserve	-	-	-	1,000,000	(1,000,000)	-	-	-	-	-
Cash dividends distributed by the Company (NT\$0.9 per share)	-	-	-	-	(1,415,628)	-	-	-	-	(1,415,628)
Change in equity from investments in subsidiaries, associates and joint ventures accounted for by using equity method	-	14,421	-	-	(86,627)	-	-	-	-	(72,206)
Net profit for the year ended December 31, 2016	-	-	-	-	1,334,703	-	-	-	-	1,334,703
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(279,364)	(1,409,691)	78,470	338	-	(1,610,247)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	1,055,339	(1,409,691)	78,470	338	-	(275,544)
BALANCE, DECEMBER 31, 2016	\$ 15,729,199	\$ 6,664,910	\$ 7,715,818	\$ 36,373,565	\$ 2,375,157	\$ 75,147	\$ 1,157,054	\$ -	\$ (376,304)	\$ 69,714,546

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

YULON MOTOR COMPANY LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,809,642	\$ 3,515,500
Adjustments for:		
Depreciation expenses	392,296	423,730
Realized gain on the transactions with subsidiaries, associates and joint ventures	(267,814)	(43,078)
Share of loss/(profit) of subsidiaries, associates and joint ventures	178,709	(1,135,997)
Interest income	(56,158)	(85,435)
Amortization expenses	45,225	47,204
Net (profit)/loss on foreign currency exchange	(39,743)	21,728
Reversal of impairment loss recognized on non-financial assets	(17,854)	(117,658)
Dividend income	(11,235)	(12,988)
Finance costs	1,933	1,536
Gain on disposal of property, plant and equipment	(1,010)	(388)
Loss/(gain) on disposal of financial assets	350	(418,101)
Impairment loss recognized on financial assets	-	14,361
Changes in operating assets and liabilities		
Financial assets held for trading	3,129,483	(2,585,664)
Notes and trade receivable	421,690	(360,751)
Other receivables	(88,434)	178,864
Inventories	51,088	639,510
Other current assets	(260,488)	(187,544)
Trade payables	325,135	(138,346)
Other payables	77,370	70,491
Other current liabilities	98,346	(1,143)
Net defined benefit liabilities - non-current	(612,368)	(48,341)
Other operating liabilities	4,479	(502)
Cash generated from (used in) generated from operations	5,180,642	(223,012)
Interest received	45,847	78,128
Interest paid	(1,933)	(1,536)
Income tax paid	(15,279)	(259,625)
Net cash generated from (used in) operating activities	<u>5,209,277</u>	<u>(406,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	3,195,541	6,041,482
Acquisition of associates	(3,183,519)	(4,255,456)
Acquisition of other non-current assets	(2,746,698)	(208,057)
Acquisition of debt investments with no active market	(1,572,100)	(1,824,111)
Acquisition of property, plant and equipment	(250,603)	(128,357)
Proceeds from the capital reduction of investments accounted for using the equity method	221,617	1,001,829
Acquisition of intangible assets	(22,147)	(7,649)
Proceeds from disposal of property, plant and equipment	1,558	506
Proceeds from disposal of financial assets measured at cost	130	530,041

(Continued)

YULON MOTOR COMPANY LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Proceeds from disposal of subsidiaries, associates and joint ventures	\$ -	\$ 2,597
Purchase of available-for-sale financial assets	-	(334)
Decrease in refundable deposits	<u>-</u>	<u>20</u>
Net cash (used in)/generated from investing activities	<u>(4,356,221)</u>	<u>1,152,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(1,412,173)	(1,099,035)
Decrease in guarantee deposits received	<u>(70,293)</u>	<u>(113,086)</u>
Net cash used in financing activities	<u>(1,482,466)</u>	<u>(1,212,121)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>4,154</u>	<u>3,848</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(625,256)	(461,807)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,235,569</u>	<u>7,697,376</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,610,313</u>	<u>\$ 7,235,569</u>

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

(Concluded)

YULON MOTOR COMPANY LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Yulon Motor Company Ltd. (the “Company”) was incorporated in September 1953. It manufactures and markets automobiles and parts.

The Company’s shares have been listed on the Taiwan Stock Exchange since July 1976.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 20, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, The Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Company to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

4) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets or disposal group “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment is applied from January 1, 2016, and any adjustment arising from the initial application of the amendment is recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

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

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note)
IFRS 9 “Financial Instruments”	January 1, 2018 (Note 3)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Company regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Company may elect to measure that investment at fair value through profit or loss. The Company shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture.

Furthermore, the amendment to IAS 28 clarified that when the Company (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Company may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

The Company shall apply the aforementioned amendments retrospectively.

5) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. Any adjustment to the carrying amount upon reclassification is recognized in the opening balance of retained earnings at that date. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Company may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

6) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, (the “Regulations”).

Basis of Preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 on basis of the degree to which the fair value measurement inputs are observable and significant to the fair value measurement in its entirety; the inputs by level are described as follows:

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

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

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 one operating cycle 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Company 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.

All other assets and liabilities are classified as non-current.

Foreign Currencies

In the preparation of financial statements, transactions in currencies other than the Company's functional currency (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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

The assets and liabilities of the Company's foreign operations (including those of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used that are different from that used by the Company in presenting its financial statements) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process, which 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. 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 standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements of the invested company as whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of entities that are not related to the Company.

Investments in Associates

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

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of the equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company.

Property, Plant and Equipment

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

Properties, plant and equipment under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These assets are depreciated and placed in the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes 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.

Investment Properties

Investment properties are properties held for earning rentals and/or for capital appreciation, including property under construction for these purposes. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties under construction are stated at cost less impairment, if any. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the construction is completed and the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Company compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, or whenever there is an indication of asset impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When the carrying amount of the asset or CGU is increased to a revised estimate of its recoverable amount, the impairment loss is reversed, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or CGU 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 Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investment, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are either held for trading or designated as at fair value through profit or loss (FVTPL).

Financial assets may be designated as at FVTPL upon initial recognition if:

- i. Such designation eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise; or
- ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy and information about the asset is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

Investments in equity instruments under financial assets at fair value through profit or loss with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by delivery of these unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturity on which the Company has the positive intent and ability to hold to maturity. Furthermore, they are not designated as at fair value through profit or loss and are not classified as available-for-sale financial assets nor can they be considered loans and receivables. The central government bond which the Company has the positive intent and ability to hold to maturity is classified as held-to maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments with no quoted market prices in an active market and with fair values that cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of these unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment loss is recognized in profit and loss.

d) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments with no active market and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment collectively even if they have been assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of since this is about impairment, not collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on trade receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the assets' carrying amounts and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the impairment losses decrease and the decreases can be related objectively to events occurring after impairment recognition, the previously recognized impairment losses are reversed through profit or loss to the extent that the carrying amounts of the investments at the date the impairment is reversed do not exceed what the amortized costs would have been had the impairment not been recognized.

When an available-for-sale (AFS) financial asset is considered impaired, cumulative loss previously recognized in other comprehensive income is reclassified to profit or loss in the period the asset is impaired. However, impairment loss on AFS equity securities previously recognized in profit or loss cannot be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. On available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

The carrying amounts of the financial assets are reduced by the impairment loss directly for all financial assets with the exception of trade receivables, of which the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability.

2) Derecognition of financial liabilities

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.

c. Derivative financial instruments

The Company uses derivative financial instruments, such as forward exchange contracts and foreign currency option contracts, to manage its exposure to interest rate risks and exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and similar allowances. Sales returns are recognized at the time of sale if the Company can reliably estimate future returns and a liability for returns is recognized on the basis of previous experience and relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - 3) The amount of revenue can be measured reliably;
 - 4) It is probable that the economic benefits associated with the transaction will flow to the Company;
- and

5) The transaction costs incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

b. Rental income

Rental income from an operating lease is recognized on a straight-line basis over the term of the lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding on the leases.

c. Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

d. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and if it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the lease terms provide for the transfer of substantially all the risks and rewards of ownership to the lessee. Otherwise, the leases are classified as operating leases.

a. The Company as lessor

Rental income from an operating lease is recognized on a straight-line basis over the term of the lease.

b. The Company as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense 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 (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Taxation

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

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders 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 and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Recognition and Measurement of Defined Benefit Plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 680	\$ 680
Checking accounts and demand deposits	6,309,633	5,535,513
Cash equivalent		
Time deposits with original maturities within 3 months	<u>300,000</u>	<u>1,699,376</u>
	<u>\$ 6,610,313</u>	<u>\$ 7,235,569</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2016	2015
Bank balance	0.001%-1.19%	0.001%-4.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets at fair value through profit or loss		
Credit-linked instruments	\$ 346,912	\$ 448,813
Principle guaranteed financial assets	<u>102,179</u>	<u>800,019</u>
	<u>449,091</u>	<u>1,248,832</u>
Financial assets held for trading		
Non-derivative financial assets		
Beneficial certificates - mutual funds	<u>-</u>	<u>2,329,742</u>
	<u>\$ 449,091</u>	<u>\$ 3,578,574</u>

8. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Non-current</u>		
Domestic unlisted common shares	<u>\$ 27,931</u>	<u>\$ 28,411</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 27,931</u>	<u>\$ 28,411</u>

Management believed that the above unlisted equity investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

In 2015, the Company disposed of certain financial assets measured at cost with carrying amount of \$111,940 thousand, and recognized a gain of \$418,101 thousand on this disposal.

In 2015, Shin Sheng 2's application for capital reduction was approved by the authorities; thus, financial assets carried at cost - non-current decreased by \$14,361 thousand.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Time deposits with original maturity more than 3 months	<u>\$ 3,989,600</u>	<u>\$ 2,417,500</u>

As of December 31, 2016 and 2015, the interest rate intervals of time deposits with original maturity more than 3 months were 0.42%-1.19% and 0.75%-1.1%, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2016	2015
<u>Notes receivable</u>		
Notes receivable - operating	\$ 74,971	\$ 92,768
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 74,971</u>	<u>\$ 92,768</u>
<u>Trade receivables</u>		
Trade receivables	\$ 405,581	\$ 812,759
Less: Allowance for impairment loss	<u>28,022</u>	<u>28,022</u>
	<u>\$ 377,559</u>	<u>\$ 784,737</u>

a. Trade and notes receivables

The average credit period of sales of goods was 45-90 days. Since major transaction parties were related parties, the Company's management, when assessing recoverability of its trade and notes receivables, any changes in the credit quality of credit grant to balance sheet dates, including financial and economic status of the counter party should be taken into consideration.

The movements of the allowance for doubtful trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	2016	2015
Balance at January 1	\$ 28,022	\$ 28,022
Add: Impairment losses recognized on receivables	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 28,022</u>	<u>\$ 28,022</u>

b. Other receivables

	<u>December 31</u>	
	2016	2015
<u>Other receivable</u>		
Subsidy receivables	\$ 171,001	\$ 184,000
Receivables for steel plates	45,327	23,840
Receivables for disposal of financial assets	139,053	8,421
Receivables for personnel transfer	13,309	21,046
Others	<u>133,608</u>	<u>166,246</u>
	<u>\$ 502,298</u>	<u>\$ 403,553</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Finished goods	\$ 2,270,128	\$ 2,253,144
Work in progress	102,949	173,777
Raw materials	<u>1,614,587</u>	<u>1,593,977</u>
	<u>\$ 3,987,664</u>	<u>\$ 4,020,898</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$36,692,737 thousand and \$35,464,734 thousand, respectively.

The cost of goods sold for the years ended December 31, 2016 and 2015 included reversal of inventory write-downs of \$17,854 thousand and \$117,658 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Investments in subsidiaries	\$ 15,130,407	\$ 17,774,192
Investments in associates	<u>26,191,796</u>	<u>25,215,462</u>
	<u>\$ 41,322,203</u>	<u>\$ 42,989,654</u>

For the details of investments in subsidiaries, associates and joint ventures, please refer to Table 9 (information on investee), Table 10 (trading in derivative instruments), Exhibit 3 (statement of changes in investments accounted for using equity method) and financial statements of 2016.

a. Investments in subsidiaries

The Company invested in Yulon Overseas Investment Co., Ltd. (YOIC), then YOIC invested in Yulon Philippine Investment Co., Ltd., which invested in Univation Motor Philippines, Inc. (UMPI) (original named NMPI) and STA CRUZ Island Company (SCIC).

Under the approval of Taiwan's Investment Commission under the Ministry of Economic Affairs, the Company and one of its subsidiaries, TAC, directly invested RMB255,000 thousand (or US\$42,500 thousand) and \$245,000 thousand (or US\$40,833 thousand), respectively, on June 29, 2015, in Yulon Motor Finance (China) Co., Ltd. ("Yulon Motor Finance") in China. The Company and TAC held 51% and 49%, respectively, of Yulon Motor Finance's shares, and because of TAC's substantial control, Yulon Motor Finance was treated as TAC's subsidiary. On February 19, 2016, Yulon Motor Finance obtained a business license in China; under this license, Yulon Motor Finance may offer car loans to customers, loans to car dealers for their car purchases, loans to other companies for facilities and car financial leasing business, etc.

For the purpose of integrating enterprise resources and increasing efficiency of management, the Company reduced the capital stock of Yu Ching, Yu Pong and Yung Hong and acquired 98.6% of Yu Yuen in June 2016. In addition, the Company purchased 1.4% of Yu Yuen for the payment of \$34,485 thousand. As a result, the Company totally owned 100% of Yu Yuen.

b. Investments in associates

In view of the high economic growth in mainland China, the Company indirectly invested in a horizontal car service and customer service businesses through YOIC. The Company also invested in Hongzhou Xiaoshan Luxgen Automobile Parts Co., Ltd. (“Luxgen Automobile Parts”) in November 2008 to make use of business opportunities in the Chinese market for car parts and to have a business partner in the Chinese motor market. Luxgen Automobile Parts is primarily responsible for researching, developing, assembling, producing, and selling automobile parts, and it is 100% held by Yulon China (Hong Kong) Investment Co., Ltd. For the Company to have a self-owned brand in China, Dong Feng Yulon Motors Co., Ltd. (“Dong Feng Yulon Motors”), a joint venture held by the Company (50%) and Dong Feng Motors Co., Ltd. (50%) was established in Xiaoshan, Hongzhou. Yulon China (Hong Kong) Investment Co., Ltd. acquired a 50% stake in Dong Feng Yulon Motors by paying cash of \$419,218 thousand and transferring of all its shares in Luxgen Automobile Parts valued at \$2,033,069 thousand.

The investments in China Motor Company, Uni-Calsonic Company, China Engine Company and Tokio Marine Nawa Insurance Co., Ltd. were accounted for by the equity method despite the individual investments being less than 20% because the Company exercised significant influence over the investees’ operating and financial policy decisions.

Equity in the earnings of China Motor Company and Tai-Yuen Textiles Co., Ltd. on their holdings in the Company’s shares was accounted for by the treasury stock method.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Vehicles	Miscellaneous Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 4,548,415	\$ 2,911,400	\$ 2,609,026	\$ 77,782	\$ 741,389	\$ 98,595	\$ 10,986,607
Additions	-	11,065	20,759	146	28,490	67,897	128,357
Disposals	-	(171)	(15,829)	-	(47,342)	-	(63,342)
Retirements	-	-	(759)	-	-	-	(759)
Reclassification	(308,657)	(458,137)	205,607	-	43,224	(435)	(518,398)
Balance at December 31, 2015	<u>\$ 4,239,758</u>	<u>\$ 2,464,157</u>	<u>\$ 2,818,804</u>	<u>\$ 77,928</u>	<u>\$ 765,761</u>	<u>\$ 166,057</u>	<u>\$ 10,532,465</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	\$ -	\$ (1,514,916)	\$ (2,085,564)	\$ (61,959)	\$ (494,599)	\$ -	\$ (4,157,038)
Disposals	-	171	15,712	-	47,342	-	63,225
Retirements	-	-	759	-	-	-	759
Reclassification	-	119,815	-	-	-	-	119,815
Depreciation expense	-	(89,603)	(119,866)	(5,648)	(118,966)	-	(334,083)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ (1,484,533)</u>	<u>\$ (2,188,959)</u>	<u>\$ (67,607)</u>	<u>\$ (566,223)</u>	<u>\$ -</u>	<u>\$ (4,307,322)</u>
Carrying amount at December 31, 2015	<u>\$ 4,239,758</u>	<u>\$ 979,624</u>	<u>\$ 629,845</u>	<u>\$ 10,321</u>	<u>\$ 199,538</u>	<u>\$ 166,057</u>	<u>\$ 6,225,143</u>
<u>Cost</u>							
Balance at January 1, 2016	\$ 4,239,758	\$ 2,464,157	\$ 2,818,804	\$ 77,928	\$ 765,761	\$ 166,057	\$ 10,532,465
Additions	-	68,197	48,450	521	49,937	83,498	250,603
Disposals	-	(4,333)	(21,006)	(4,711)	(2,511)	-	(32,561)
Retirements	-	-	-	-	-	-	-
Reclassification	45,620	59,668	127,354	-	33,623	(163,546)	102,719
Balance at December 31, 2016	<u>\$ 4,285,378</u>	<u>\$ 2,587,689</u>	<u>\$ 2,973,602</u>	<u>\$ 73,738</u>	<u>\$ 846,810</u>	<u>\$ 86,009</u>	<u>\$ 10,853,226</u>

(Continued)

	Freehold Land	Buildings	Equipment	Vehicles	Miscellaneous Equipment	Property under Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	\$ -	\$ (1,484,533)	\$ (2,188,959)	\$ (67,607)	\$ (566,223)	\$ -	\$ (4,307,322)
Disposals	-	4,333	20,723	4,625	2,334	-	32,015
Retirements	-	-	-	-	-	-	-
Reclassification	-	(7,369)	-	-	-	-	(7,369)
Depreciation expense	-	(100,110)	(129,783)	(4,130)	(97,829)	-	(331,852)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ (1,587,679)</u>	<u>\$ (2,298,019)</u>	<u>\$ (67,112)</u>	<u>\$ (661,718)</u>	<u>\$ -</u>	<u>\$ (4,614,528)</u>
Carrying amount at December 31, 2016	<u>\$ 4,285,378</u>	<u>\$ 1,000,010</u>	<u>\$ 675,583</u>	<u>\$ 6,626</u>	<u>\$ 185,092</u>	<u>\$ 86,009</u>	<u>\$ 6,238,698</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	30 - 60 years
Equipment	10 years
Vehicles	4 - 5 years
Miscellaneous equipment	2 - 5 years

14. INVESTMENT PROPERTIES

	Freehold Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2015	\$ 8,507,224	\$ 2,356,845	\$ 10,864,069
Reclassified to property, plant and equipment	<u>308,657</u>	<u>458,808</u>	<u>767,465</u>
Balance at December 31, 2015	<u>\$ 8,815,881</u>	<u>\$ 2,815,653</u>	<u>\$ 11,631,534</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2015	\$ -	\$ (828,973)	\$ (828,973)
Reclassified to property, plant and equipment	-	(119,815)	(119,815)
Depreciation expense	-	(89,647)	(89,647)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ (1,038,435)</u>	<u>\$ (1,038,435)</u>
Carrying amount at December 31, 2015	<u>\$ 8,815,881</u>	<u>\$ 1,777,218</u>	<u>\$ 10,593,099</u>
<u>Cost</u>			
Balance at January 1, 2016	\$ 8,815,881	\$ 2,815,653	\$ 11,631,534
Additions	-	-	-
Reclassified to property, plant and equipment	<u>(45,620)</u>	<u>103,877</u>	<u>58,257</u>
Balance at December 31, 2016	<u>\$ 8,770,261</u>	<u>\$ 2,919,530</u>	<u>\$ 11,689,791</u>

(Continued)

	Freehold Land	Buildings	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2016	\$ -	\$ (1,038,435)	\$ (1,038,435)
Reclassified to property, plant and equipment	-	7,369	7,369
Depreciation expense	-	(60,444)	(60,444)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ (1,091,510)</u>	<u>\$ (1,091,510)</u>
Carrying amount at December 31, 2016	<u>\$ 8,770,261</u>	<u>\$ 1,828,020</u>	<u>\$ 10,598,281</u> (Concluded)

The investment properties are depreciated on a straight-line basis over the estimated useful life of these assets from 30 to 60 years.

As of December 31, 2016 and 2015, the fair values of the Company's investment property were \$40,188,146 thousand and \$40,394,660 thousand, respectively. Both fair values were appraised by an independent qualified professional appraiser.

15. OTHER LIABILITIES

	<u>December 31</u>	
	2016	2015
<u>Current</u>		
Other payables		
Payables for employees bonus	\$ 437,900	\$ 409,360
Payables for other taxes	249,590	227,527
Payables for dividends	100,032	96,577
Payables for annual leave	164,824	140,807
Others	<u>348,507</u>	<u>345,757</u>
	<u>\$ 1,300,853</u>	<u>\$ 1,220,028</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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.

b. Defined benefit plan

The defined benefit plan adopted by the Company is in accordance with the Labor Standards Law. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 7% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement

requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the pension fund investment policy and strategy.

The amounts included in the balance sheets on the Company’s defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Present value of defined benefit obligation	\$ 1,877,150	\$ 1,756,654
Fair value of plan assets	<u>(646,229)</u>	<u>(88,045)</u>
Net defined benefit liability	<u>\$ 1,230,921</u>	<u>\$ 1,668,609</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 1,716,446</u>	<u>\$ (110,276)</u>	<u>\$ 1,606,170</u>
Service cost			
Current service cost	26,293	-	26,293
Past service cost and loss on settlements	6,832	-	6,832
Net interest expense (income)	<u>28,751</u>	<u>(1,849)</u>	<u>26,902</u>
Recognized in profit or loss	<u>61,876</u>	<u>(1,849)</u>	<u>60,027</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(730)	(730)
Actuarial loss - changes in demographic assumptions	26,225	-	26,225
Actuarial loss - changes in financial assumptions	47,244	-	47,244
Actuarial loss - experience adjustments	<u>38,201</u>	<u>-</u>	<u>38,201</u>
Recognized in other comprehensive income	<u>111,670</u>	<u>(730)</u>	<u>110,940</u>
Contributions from the employer	-	(40,765)	(40,765)
Benefits paid	(96,827)	65,575	(31,252)
Business combinations	<u>(36,511)</u>	<u>-</u>	<u>(36,511)</u>
Balance at December 31, 2015	<u>\$ 1,756,654</u>	<u>\$ (88,045)</u>	<u>\$ 1,668,609</u>
Balance at January 1, 2016	<u>\$ 1,756,654</u>	<u>\$ (88,045)</u>	<u>\$ 1,668,609</u>
Service cost			
Current service cost	24,322	-	24,322
Past service cost and loss on settlements	10,268	-	10,268
Net interest expense (income)	<u>25,976</u>	<u>(1,252)</u>	<u>24,724</u>
Recognized in profit or loss	<u>60,566</u>	<u>(1,252)</u>	<u>59,314</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,462)	(2,462)
Actuarial loss - changes in demographic assumptions	15,781	-	15,781

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Actuarial loss - changes in financial assumptions	\$ 49,912	\$ -	\$ 49,912
Actuarial loss - experience adjustments	<u>111,342</u>	<u>-</u>	<u>111,342</u>
Recognized in other comprehensive income	<u>177,035</u>	<u>(2,462)</u>	<u>174,573</u>
Contributions from the employer	-	(644,274)	(644,274)
Benefits paid	<u>(117,105)</u>	<u>89,804</u>	<u>(27,301)</u>
Balance at December 31, 2016	<u>\$ 1,877,150</u>	<u>\$ (646,229)</u>	<u>\$ 1,230,921</u> (Concluded)

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

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

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

	December 31	
	2016	2015
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	1.75%	1.75%

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

	December 31, 2016
Discount rate(s)	
0.25% increase	\$ (50,069)
0.25% decrease	52,050
Expected rate(s) of salary increase	
0.25% increase	50,800
0.25% decrease	(49,114)

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

	December 31	
	2016	2015
Expected contributions to the plan for the next year	<u>\$ 325,271</u>	<u>\$ 644,910</u>
Average duration of the defined benefit obligation	11.3 years	11.3 years

17. EQUITY

a. Share capital

Common shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>2,000,000</u>	<u>2,000,000</u>
Shares authorized	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,572,920</u>	<u>1,572,920</u>
Capital shares	\$ 15,729,199	\$ 15,729,199
Capital surplus	<u>4,508,131</u>	<u>4,508,131</u>
	<u>\$ 20,237,330</u>	<u>\$ 20,237,330</u>

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Recognized from issuance of common shares	\$ 4,508,131	\$ 4,508,131
Recognized from treasury share transactions	1,997,487	1,985,549
Recognized from the differences between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	143,867	143,846
<u>May be used to offset a deficit only</u>		
Recognized from share of changes in capital surplus of associates or joint ventures	<u>15,425</u>	<u>12,963</u>
	<u>\$ 6,664,910</u>	<u>\$ 6,650,489</u>

Note: Such capital surplus maybe used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that appropriation for legal reserve should be made at 10% of annual net income, less any accumulated deficit. From the remainder of the net income, appropriation for special reserve will be made based on relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings may be appropriated and distributed.

The Company's operating environment is in a mature industry. The Company shall consider profitability, future operating plans and funding needs, and industry condition, and long-term shareholders' rights and a long-term financial planning in the distribution of earnings. Dividends may be paid in cash or stock; total dividends should not be lower than 10% of distributable net profit, and cash dividends should not be lower than 20% of total dividends. The distribution plan will be proposed by the Company's board of directors and approved in the stockholders' meeting.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 21, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

For information on accrued employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 18 - d. employee benefits expense.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. 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 paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 approved in the shareholders' meetings on June 21, 2016 and June 17, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share	
	For the Year Ended		(N.T. Dollar)	
	December 31		For the Year Ended	
	2015	2014	2015	2014
Legal reserve	\$ 335,208	\$ 221,035		
Special reserve	1,000,000	1,000,000		
Cash dividend	1,415,628	1,101,044	\$ 0.90	\$ 0.70

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 20, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 133,470	
Special reserve	1,000,000	
Cash dividends	786,460	\$ 0.5

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on June 22, 2017

d. Special reserve

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 35,373,565	\$ 34,373,565
Appropriation of earnings	<u>1,000,000</u>	<u>1,000,000</u>
Balance at December 31	<u>\$ 36,373,565</u>	<u>\$ 35,373,565</u>

On first-time adoption of IFRSs, the Company appropriated to special reserve the amounts that were the same as the unrealized revaluation increment and cumulative translation differences transferred to retained earnings, which were \$8,255,468 thousand and \$655,829 thousand, respectively.

If the special reserve appropriated on the first-time adoption of IFRSs relates to property, plant and equipment and investment property other than land, the special reserve may be reversed continuously over the period of use of the asset. The special reserve relating to land may be reversed on the disposal or reclassification of the related asset. A proportionate share of the special reserve relating to exchange differences arising from the translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Company's disposal of foreign operations; on the Company's loss of significant influence, however, the entire special reserve will be reversed.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 1,484,838	\$ 1,721,402
Share of exchange difference of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(1,409,691)</u>	<u>(236,564)</u>
Balance at December 31	<u>\$ 75,147</u>	<u>\$ 1,484,838</u>

2) Unrealized gains (losses) on available-for-sale financial assets

	<u>For the Year Ended December 31</u>	
	2016	2015
Balance at January 1	\$ 1,078,584	\$ 1,386,228
Unrealized gains (losses) on revaluation of available-for-sale financial assets	(2,170)	(24,200)
Share of unrealized (losses) gains on available-for-sale financial assets of subsidiaries, associates and joint ventures accounted for using the equity method	<u>80,640</u>	<u>(283,444)</u>
Balance at December 31	<u>\$ 1,157,054</u>	<u>\$ 1,078,584</u>

3) Cash flow hedge

	<u>For the Year Ended December 31</u>	
	2016	2015
Balance at January 1	\$ (338)	\$ (574)
Gains/(losses) on changes in the fair value of hedging instruments	<u>338</u>	<u>236</u>
Balance at December 31	<u>\$ -</u>	<u>\$ (338)</u>

f. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2016	2015
Balance at January 1	\$ 9,703,719	\$ 10,147,699
Attributable to non-controlling interests:		
Share of profit for the year	444,520	567,214
Exchange difference on translation of foreign entities	(292,203)	(49,626)
Unrealized (gains) losses on available-for-sale financial assets	212	(4,254)
Gains on fair value changes of cash flow hedges	383	243
Remeasurement on defined benefit plans	(3,426)	(5,758)
Adjustment relating to changes in capital surplus of (associates and joint ventures) accounted for using the equity method	(6,800)	99
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(22,891)	(71,577)
Partial disposal of subsidiaries	508,051	386,171
Purchase of subsidiaries	(28,903)	-
Non-controlling interest relating to differences between acquisition or disposal price and carrying value of subsidiaries	79,270	12,226
Cash dividends from subsidiaries	(1,033,658)	(1,015,688)
Capital return from subsidiaries	<u>-</u>	<u>(263,030)</u>
Balance at December 31	<u>\$ 9,348,274</u>	<u>\$ 9,703,719</u>

g. Treasury shares

Reasons for Redemption	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
<u>For the year ended December 31, 2016</u>				
Long-term investment of subsidiary transferred to treasury stock	<u>11,839</u>	<u>-</u>	<u>-</u>	<u>11,839</u>
<u>For the year ended December 31, 2015</u>				
Long-term investment of subsidiary transferred to treasury stock	<u>11,839</u>	<u>-</u>	<u>-</u>	<u>11,839</u>

The Company's shares held by subsidiaries as of December 31, 2016 and 2015 were as follows:

Name of Subsidiaries	Number of Shares Held (In Thousands)	Carrying Amount (In Thousands)	Market Value (In Thousands)
<u>December 31, 2016</u>			
Yu Ching Business Co., Ltd.	11,838	\$ 317,271	\$ 317,271
Yu Pong Business Co., Ltd.	1	<u>3</u>	<u>3</u>
		<u>\$ 317,274</u>	<u>\$ 317,274</u>
<u>December 31, 2015</u>			
Yu Ching Business Co., Ltd.	11,838	\$ 357,722	\$ 357,722
Yu Pong Business Co., Ltd.	1	<u>3</u>	<u>3</u>
		<u>\$ 357,725</u>	<u>\$ 357,725</u>

The subsidiaries holding treasury shares retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

18. NET PROFIT

Net profit contained the following components:

a. Other operating revenue

	For the Year Ended December 31	
	2016	2015
Revenue from sale of scraps	\$ 9,140	\$ 10,585
Revenue from providing guarantees	11,938	11,035
Revenue from remuneration of directors and supervisors	19,391	17,100
Others	<u>9,254</u>	<u>13,530</u>
	<u>\$ 49,723</u>	<u>\$ 52,250</u>

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain on disposal of property, plant and equipment, investment property and intangible asset	\$ 41,268	\$ 34,680
Gain on disposal of financial assets	44,367	438,030
Net foreign exchange gains (losses)	2,682	(2,933)
Net losses on financial assets designated as at FVTPL	(56)	(324)
Net (losses) gains on financial assets classified as held for trading	(13,205)	14,024
Others	<u>6,492</u>	<u>(24,985)</u>
	<u>\$ 81,548</u>	<u>\$ 458,492</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
An analysis of depreciation by function		
Operating costs	\$ 246,573	\$ 248,835
Operating expenses	<u>145,723</u>	<u>174,895</u>
	<u>\$ 392,296</u>	<u>\$ 423,730</u>
An analysis of amortization by function		
Operating costs	\$ 24,735	\$ 18,076
Operating expenses	<u>20,490</u>	<u>29,128</u>
	<u>\$ 45,225</u>	<u>\$ 47,204</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Short-term benefits	\$ 1,394,504	\$ 1,413,601
Post-employment benefits		
Defined contribution plans	18,609	17,698
Defined benefit plans	<u>59,314</u>	<u>60,027</u>
Total employee benefits expense	<u>\$ 1,472,427</u>	<u>\$ 1,491,326</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,134,578	\$ 1,094,682
Operating expenses	<u>337,849</u>	<u>396,644</u>
	<u>\$ 1,472,427</u>	<u>\$ 1,491,326</u>

	For the Year Ended December 31					
	2016			2015		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary expense	\$ 523,863	\$ 123,393	\$ 647,256	\$ 503,248	\$ 121,524	\$ 624,772
Labor insurance	61,724	15,486	77,210	69,155	15,892	85,047
Pension	59,406	18,517	77,923	60,756	16,969	77,725
Other employment benefits	<u>489,585</u>	<u>180,453</u>	<u>670,038</u>	<u>461,523</u>	<u>242,259</u>	<u>703,782</u>
Total employment benefits	<u>\$ 1,134,578</u>	<u>\$ 337,849</u>	<u>\$ 1,472,427</u>	<u>\$ 1,094,682</u>	<u>\$ 396,644</u>	<u>\$ 1,491,326</u>

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 20, 2017 and March 21, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	0.12%	0.10%
Remuneration of directors and supervisors	0.50%	0.50%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	\$ 2,175	\$ -	\$ 3,537	\$ -
Remuneration of directors and supervisors	9,104	-	17,684	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 17, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Share
Bonus to employees	\$ 1,989	\$ -
Remuneration to directors and supervisors	8,361	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 17, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

As of December 31, 2016 and 2015, the Company's number of employees was 1,372 and 1,368, respectively.

e. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2016	2015
Inventories	<u>\$ 17,854</u>	<u>\$ 117,658</u>

19. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 342,210	\$ -
Income tax on unappropriated earnings	136,850	77,608
Adjustments for prior year	<u>-</u>	<u>2,525</u>
	479,060	80,133
Deferred tax		
In respect of the current year	<u>(4,121)</u>	<u>83,289</u>
Income tax expense recognized in profit or loss	<u>\$ 474,939</u>	<u>\$ 163,422</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before tax from continuing operations	<u>\$ 1,809,642</u>	<u>\$ 3,515,500</u>
Income tax expense calculated at the statutory rate	\$ 307,639	\$ 597,635
Nondeductible expenses in determining taxable income	1,018	2,656
Tax-exempt income	(673,722)	(315,842)
Realized loss on investment	-	(348,432)
Unrecognized deductible temporary differences	703,154	147,272
Income tax on unappropriated earnings	136,850	77,608
Adjustments for prior years' tax	<u>-</u>	<u>2,525</u>
Income tax expense recognized in profit or loss	<u>\$ 474,939</u>	<u>\$ 163,422</u>

The applicable tax rate used above is the corporate tax rate of 17%.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Balance at the Beginning of the Year	Recognized in Profit or Loss	Balance at the End of the Year
<u>Deferred tax assets</u>			
Temporary differences			
Share of income of subsidiaries, associates and joint ventures	\$ 146,744	\$ -	\$ 146,744
Property, plant and equipment	5,508	(333)	5,175

(Continued)

	Balance at the Beginning of the Year	Recognized in Profit or Loss	Balance at the End of the Year
Defined benefit obligation	\$ 285,064	\$ 604	\$ 285,668
Others	<u>92,586</u>	<u>(14,855)</u>	<u>77,731</u>
	<u>\$ 529,902</u>	<u>\$ (14,584)</u>	<u>\$ 515,318</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Land value increment tax	\$ 2,397,673	\$ -	\$ 2,397,673
Property, plant and equipment	137,119	(17,077)	120,042
Others	<u>2,678</u>	<u>(1,628)</u>	<u>1,050</u>
	<u>\$ 2,537,470</u>	<u>\$ (18,705)</u>	<u>\$ 2,518,765</u> (Concluded)

For the year ended December 31, 2015

	Balance at the Beginning of the Year	Recognized in Profit or Loss	Balance at the End of the Year
<u>Deferred tax assets</u>			
Temporary differences			
Share of income of subsidiaries, associates and joint ventures	\$ 146,744	\$ -	\$ 146,744
Property, plant and equipment	5,841	(333)	5,508
Defined benefit obligation	287,104	(2,040)	285,064
Others	<u>157,228</u>	<u>(64,642)</u>	<u>92,586</u>
	<u>\$ 596,917</u>	<u>\$ (67,015)</u>	<u>\$ 529,902</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Land value increment tax	\$ 2,397,673	\$ -	\$ 2,397,673
Property, plant and equipment	118,550	18,569	137,119
Others	<u>4,973</u>	<u>(2,295)</u>	<u>2,678</u>
	<u>\$ 2,521,196</u>	<u>\$ 16,274</u>	<u>\$ 2,537,470</u>

d. Information on integrated income tax was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 2,375,157</u>	<u>\$ 4,157,281</u>
Imputation credits accounts (ICA)	<u>\$ 1,300,129</u>	<u>\$ 1,372,962</u>

	For the Year Ended December 31	
	2016	2015
	(Expected)	
Creditable ratio for distribution of earnings	30.67%	25.04%

e. Income tax assessed

The tax returns through 2014 have been assessed by the tax authorities.

20. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	<u>\$ 0.91</u>	<u>\$ 2.29</u>
Diluted earnings per share	<u>\$ 0.91</u>	<u>\$ 2.29</u>

The weighted average number of shares outstanding used for the earnings per share computation was as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2016	2015
Earnings used in the computation of basic earnings per share	<u>\$ 1,334,703</u>	<u>\$ 3,352,078</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,334,703</u>	<u>\$ 3,352,078</u>

Shares

	For the Year Ended December 31	
	2016	2015
Weighted average number of common shares in computation of basic earnings per share	1,462,769	1,463,684
Effect of potentially dilutive common shares:		
Employees' compensation or bonus issue to employees	<u>105</u>	<u>151</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>1,462,874</u>	<u>1,463,835</u>

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

21. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

The Company is not subject to any externally imposed capital requirements.

The Company's management reviews the capital structure whenever necessary. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Company expects to balance its capital structure by paying dividends, borrowing new loans or repaying original loans.

22. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ -	\$ -	\$ -	\$ -
Others	<u>-</u>	<u>-</u>	<u>449,091</u>	<u>449,091</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,091</u>	<u>\$ 449,091</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 48,519</u>	<u>\$ -</u>	<u>\$ 48,519</u>	<u>\$ 48,519</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 2,329,742	\$ -	\$ -	\$ 2,329,742
Others	<u>-</u>	<u>-</u>	<u>1,248,832</u>	<u>1,248,832</u>
	<u>\$ 2,329,742</u>	<u>\$ -</u>	<u>\$ 1,248,832</u>	<u>\$ 3,578,574</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 50,690</u>	<u>\$ -</u>	<u>\$ 50,690</u>	<u>\$ 50,690</u>

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the years ended December 31, 2016 and 2015

	Financial Assets at Fair Value Through Profit or Loss - Held for Trading	
	December 31	
	2016	2015
Balance at the beginning of the year	\$ 1,248,832	\$ 470,904
Recognized in profit or loss	18,673	13,432
Purchases	4,833,590	4,164,426
Disposals/settlements	<u>(5,652,004)</u>	<u>(3,399,930)</u>
Balance at the end of the year	<u>\$ 449,091</u>	<u>\$ 1,248,832</u>

b. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 2,329,742
Designated as at FVTPL	449,091	1,248,832
Loans and receivables (1)	11,554,741	10,934,127
Available-for-sale financial assets (2)	76,450	79,101
<u>Financial liabilities</u>		
Amortized cost (3)	4,618,884	4,251,799

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, and trade and other receivables.

2) The balances included the carrying amounts of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade and other payables.

c. Financial risk management objectives and policies

For the Company to develop a clear direction and system for its analysis of and response to financial risks and the execution of a financial risk management plan, the definition and the purpose of financial risk management should be made clear before the establishment of related critical policies and processes. Through the financial risk management system, the Company oversees the handling of financial risks pertaining to daily operations, including market risk (exchange rate risk, interest rate risk, other price risk), credit risk, and liquidity risk. The Company strives to identify, evaluate and decrease market uncertainty to mitigate the impact of market fluctuations on its financial performance.

1) Financial risk management is defined by the Company as the application of various methods to control and handle current risks by assessing the direct and indirect potential risks affecting the Company's financial status. By minimizing the "cost of risk," the Company ensures its operating stability and its status to continue as a going concern.

2) On the key issues involved in financial risk management, the Company has the needed precautions and controls in place. Even with precautions and controls in place, inevitable loss (or events that cause the Company to deviate from its operating goals; in these situations post-event measures are taken to deter or ease unfavorable consequences for the Company's continued development. Financial risks are due to external and internal factors. To handle these risks, the Company has established these precautionary measures, which include the following key management concepts, control mechanisms, and management tools.

a) Precautionary measures

Key management concepts

- i. Business planning: Among the Company's goals is to run its business using clearly defined key performance indicators. The future operating guidelines and programs, from short term to long term, are also explicitly stated. In addition, the goals of financial functions and ways to achieve these goals are described in the Company's business plan.
- ii. Identification of risk and establishment of risk indicators: This is based on the previous phase of key points of management, to identify potential risk and its monitoring indicators.

Control mechanisms

- i. Business planning and adjustment: This is achieved by mid-term operating prospectus.
- ii. Macro-economic and study of laws and regulation: The Company invites external professional and scholars for workshops regarding current economic status and updates on laws and regulations nonscheduled

Management tools

- i. Research reports on microeconomic and macroeconomic conditions: These reports cover exchange and interest rates and economic growth around the world.
- ii. Analysis of operations: The Company uses its midterm analysis of operations as a control mechanism.
- iii. Articles of Incorporation: The Articles clearly state the risk management measures and the standards for establishing key risk indicators.

b) Operating controls

Key management concepts

- i. Risk assessment and monitoring: The Company monitors regularly key risk indicators and related financial processes.
- ii. Risk reports: The information system automatically sends reports on financial operations and risk indicator-related data periodically or more frequently, as needed to the Company's management. Internal audit teams conduct audits, based on quarterly and yearly audit plans, of the financial risk management of the Company and its subsidiaries. Internal audit teams also conduct audits of financial risk management indicators and execution results.

Control mechanisms

- i. Internal audit: Each financial subunit within the Company conducts, manages and controls independent internal audits after audit plans are proposed to the management.
- ii. Financial management system and procedures: The Company establishes financial management system and monitors daily operations and specific risks.

Management tools

- i. BIS (Business Intelligent System) reports and alerts: The Company uses BIS alerts to transmit data on important operating financial indicators at least monthly.
 - ii. Monthly reports on profits of the Company and its subsidiaries: Operating profit and loss reports are summarized monthly; these reports include analytical summaries and reviews of items not meeting standards set by the management.
 - iii. Internal audit reports: The internal audit team prepares internal audit reports that include the results of financial risk management.
 - iv. Reports on capital financing and endorsements provided: The Company issues monthly a summary report of the prior month's status of capital financing and endorsements provided.
 - v. ERP (Enterprise Resource Planning), DMS (Document Management System) and SAP system verifications: Operating management systems from external parties assist in verifying and strengthening the Company's financial risk management.
- c) Post-loss measures

Key management concepts

- i. Reasons and strategies for statistical deviations from preset goals: When key financial management indicators show abnormal outcomes, the Company should get an understanding of the internal and external causes of and reasons for the abnormalities to determine a corresponding strategy.
- ii. Execution of and follow-ups on strategy: The Company follows up the execution of the strategy applied to handle an abnormality. It also tries to restore normal operations.

Control mechanisms

- i. Analysis and reporting of unattained goals: The Company presents the causes of unattainable financial management goals in periodic reports and management meetings. In addition, improvement plans and schedules are considered in management meetings.
- ii. Board and financial meetings: The Company timely calls for board meetings and review of financial management meetings to ensure that the financial risk management problems are resolved promptly, if not immediately.

Management tools

- i. Reports on unfavorable factors and impacts: The Company lists the impact of unattained risk management goals for each risk indicator.
- ii. Board meeting reports: The execution of financial risk management is summarized in the board meeting reports.

- iii. Endorsement valuation report: The period-end balance of endorsements provided is assessed timely to ensure it conforms to local regulations and corporate rules.
- iv. Periodic meetings for the review of the status of Company groupings by industry: The Company periodically holds review meetings for the comprehensive review of all Company groupings based on their respective industry attributes.

3) Market risk

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to exchange rate risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to exchange rate risk at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Company's currency exposure was mainly to the U.S. dollar, renminbi and yen.

The following table shows the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against foreign currency. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period is adjusted for a 1% change in exchange rates.

	USD Impact		JPY Impact	
	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31
	2016	2015	2016	2015
Profit or loss	\$ 3,005	\$ 1,726	\$ 2,839	\$ 2,261

	RMB Impact		EUR Impact	
	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31
	2016	2015	2016	2015
Profit or loss	\$ 95	\$ (5,234)	\$ 1,630	\$ (427)

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward contracts.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows.

	<u>December 31</u>	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 4,289,600	\$ 4,116,876
Cash flow interest rate risk		
Financial assets	6,879,993	5,763,947

Sensitivity analysis

The sensitivity analysis was based on the Company's exposure to changes in interest rates for both derivative and non-derivative instruments at the end of the reporting period.

If interest rates had been 1% higher and had all other variables been held constant, the Company's pre-tax profit would have increased by \$68,800 thousand in 2016 and \$57,639 thousand in 2015.

c) Other price risk

The Company was exposed to equity price risk on its investments in listed equity securities.

Sensitivity analysis

The Company assesses equity price risk using sensitivity analysis.

The following sensitivity analyses was based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 1% lower, the fair values of available-for-sale investments and held-for-trading investments would have decreased by \$485 thousand and \$23,804 thousand as of December 31, 2016 and 2015, respectively.

d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk referred to the failure of counterparties to discharge an obligation and to financial guarantees provided by the Company.

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- ii. The amount of contingent liabilities in relation to financial guarantee issued by the Company

It is the Company's policy to have transactions only with creditworthy counterparties. Credit information on counterparties is gathered by independent rating agencies through credit search and analysis. Credits are then given to counterparties in the basis of the nature of transactions, financial status of the counterparties, and collateral conditions, with related contracts to be renewed after careful reexamination to ensure that credit risk is within the level the Company has the capacity to bear.

The object of the accounts receivable is associates of the Company, and the Company closely monitors the financial status of those clients with accounts receivable.

e) Liquidity risk

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

23. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

a. Transactions in operating activities

Related Party Categories	For the Year Ended December 31	
	2016	2015
<u>Sales of goods</u>		
Subsidiaries	\$ 10,408,970	\$ 10,087,651
Associates	28,298,428	27,012,244
Other related parties	<u>-</u>	<u>31</u>
	<u>\$ 38,707,398</u>	<u>\$ 37,099,926</u>
<u>Purchases of goods</u>		
Subsidiaries	\$ 3,307,296	\$ 3,247,158
Associates	2,885,266	2,556,353
Other related parties	<u>10,020,792</u>	<u>9,576,787</u>
	<u>\$ 16,213,354</u>	<u>\$ 15,380,298</u>

Except for the transactions with UMPI, which is given a credit period of 180 days by the Company considering fluctuations of foreign exchange rate and quantity discounts, other transactions with related parties are made under the same terms of pricings, receipts and payments as of those with unrelated parties.

Related Party Categories	For the Year Ended December 31	
	2016	2015
<u>Operating expense</u>		
Subsidiaries	\$ 63,271	\$ 64,657
Associates	68,626	120,092
Other related parties	<u>5,363</u>	<u>5,964</u>
	<u>\$ 137,260</u>	<u>\$ 190,713</u>
<u>Other operating revenue</u>		
Subsidiaries	\$ 18,137	\$ 313,304
Associates	463,459	826,916
Other related parties	<u>2,744</u>	<u>4,581</u>
	<u>\$ 484,340</u>	<u>\$ 1,144,801</u>

On the balance sheet dates, the amounts receivable from related parties were as follow:

Related Party Categories	December 31	
	2016	2015
<u>Notes and trade receivable</u>		
Subsidiaries	\$ 101,740	\$ 220,023
Associates	275,018	558,879
Other related parties	<u>8,206</u>	<u>19,992</u>
	<u>\$ 384,964</u>	<u>\$ 798,894</u>
<u>Other financial assets (recognized as other receivables)</u>		
Subsidiaries	\$ 40,036	\$ 52,764
Associates	304,727	291,239
Other related parties	<u>44,704</u>	<u>1,943</u>
	<u>\$ 389,467</u>	<u>\$ 345,946</u>

On the balance sheet dates, the amounts payable to related parties were as follows:

Related Party Categories	December 31	
	2016	2015
<u>Trade payables</u>		
Subsidiaries	\$ 459,772	\$ 575,741
Associates	344,681	369,366
Other related parties	<u>401,077</u>	<u>486,369</u>
	<u>\$ 1,205,530</u>	<u>\$ 1,431,476</u>
<u>Other payables</u>		
Subsidiaries	\$ 30,399	\$ 33,040
Associates	4,837	10,447
Other related parties	<u>2</u>	<u>-</u>
	<u>\$ 35,238</u>	<u>\$ 43,487</u>

b. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 60,753	\$ 57,373
Post-employment benefits	1,518	1,734
Other employee benefits	<u>153</u>	<u>-</u>
	<u>\$ 62,424</u>	<u>\$ 59,107</u>

The compensation of the board members and the Company's management is determined by the remuneration committee based on personal performances and market conditions.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, information on significant contingent liabilities and unrecognized commitments on the balance sheet date is as follows:

- a. The Company has a manufacturing contract with Yulon Nissan Motor Co., Ltd. (“Yulon Nissan”) with a five-year validity from May 1, 2015 to April 30, 2020. The contract is automatically renewed unless either party issues a notice of discontinuance within three months before contract expiry. The contract states that Yulon Nissan has authorized the Company to manufacture Nissan automobiles and parts, and Yulon Nissan is responsible for the subsequent development of new automobile parts. The volume of the Company’s manufacturing should be based on Yulon Nissan’s projection of car unit sales for the year. In addition, the Company manufactures other service parts for Yulon Nissan upon the latter’s request.

Yulon Nissan is responsible for developing new car models, refining designs, and providing the Company with sales projections. The Company is responsible for transforming the sales projections into manufacturing plans and making the related materials orders and purchases, providing product quality assurance, delivering cars, and providing warranty-related services.

- b. Luxgen Motor Co., Ltd. (“Luxgen”) entrusted to the Company the manufacture and assembly of cars based on the design purchased by Luxgen from Haitec Co., Ltd., a vehicle model developer. This car assembly is based on a five-year contract valid from May 1, 2015 to April 30, 2020. The contract is automatically renewed unless either party issues a notice of discontinuance within three months before contract expiry. The contract states that Luxgen authorizes the Company to manufacture Luxgen automobiles and parts. The volume of the Company’s manufacturing should be based on Luxgen’s projection of car unit sales for the year. In addition, the Company manufactures other service parts for Luxgen upon the latter’s request.

Luxgen is responsible for contracting the Company for the manufacture of new car model parts, refining designs, registering products, and providing the Company with sales projections. The Company is responsible for transforming the sales projections into manufacturing plans and making the related materials orders and purchases, providing product quality assurance, delivering cars, and providing warranty-related services.

See Table 2 for the information on endorsements/guarantees provided to subsidiaries or associates.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,953	32.250 (USD:NTD)	\$ 288,734
JPY	77,982	0.276 (JPY:NTD)	21,492
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
RMB	\$ 82	4.617 (RMB:NTD)	\$ 379
EUR	1,107	33.900 (EUR:NTD)	<u>37,527</u>
			<u>\$ 348,132</u>
Nonmonetary items			
RMB	255,000	4.488 (RMB:NTD)	<u>\$ 1,144,502</u>
<u>Financial liabilities</u>			
Monetary items			
USD	18,271	32.250 (USD:NTD)	\$ 589,240
JPY	1,108,111	0.276 (JPY:NTD)	305,395
RMB	2,146	4.617 (RMB:NTD)	9,908
EUR	5,916	33.900 (EUR:NTD)	<u>200,552</u>
			<u>\$ 1,105,095</u>
			(Concluded)

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,350	32.825 (USD:NTD)	\$ 339,739
JPY	102,693	0.273 (JPY:NTD)	28,004
RMB	109,206	4.995 (RMB:NTD)	545,484
EUR	1,209	35.880 (EUR:NTD)	<u>43,379</u>
			<u>\$ 956,606</u>
Nonmonetary items			
USD	3,026	32.825 (USD:NTD)	\$ 99,344
RMB	255,000	5.122 (RMB:NTD)	<u>1,306,110</u>
			<u>\$ 1,405,454</u>
<u>Financial liabilities</u>			
Monetary items			
USD	15,608	32.825 (USD:NTD)	\$ 512,333
JPY	931,665	0.273 (JPY:NTD)	254,065
RMB	4,417	4.995 (RMB:NTD)	22,063
EUR	18	35.880 (EUR:NTD)	<u>646</u>
			<u>\$ 789,107</u>

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains (losses) were \$2,682 thousand and (\$2,933) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions or functional currencies of the Company.

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluded investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 5)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (Table 6)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 8)
- 9) Information on investees. (Table 9)

b. Information on investments in mainland China

There was no information on investments in mainland China should be disclosed excluding in Table 10.

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
1	Yulon China (HK) Holding	Sheng Qing	Other receivables	Y	\$ 733,580	\$ 704,466	\$ 696,720	3.00%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 806,975	\$ 806,975	Note
2	Yulon China	Sheng Qing	Other receivables	Y	1,914,980	1,914,980	696,720	2.50%	Operating capital	-	Operating capital	-	-	-	3,873,480	3,873,480	Note
3	Hong Shou Culture	Singan	Other receivables	Y	20,000	20,000	20,000	1.08%	Operating capital	-	Operating capital	-	-	-	20,686	20,686	Note
4	Hsiang Shou	Singual Travel Singan	Other receivables Other receivables	Y Y	10,000 70,000	10,000 60,000	10,000 50,000	1.26% 1.08%	Operating capital Operating capital	- -	Operating capital Operating capital	- -	- -	- -	78,266 78,266	78,266 78,266	Note Note
5	Yulon Motor Investment	Shanghai Yuexing Nan Jing Yu Shang Jiangmen Junxing Shenzhen Yu Zhi Wuhan Yu Hsin Hang Zhou Haitec Company	Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables	Y Y Y Y Y Y	20,493 20,493 76,850 153,699 153,699 194,685	18,579 18,579 69,672 139,344 139,344 176,502	13,934 18,579 41,803 62,705 85,929 169,535	5.34% - 5.34% 5.00% 6.64% -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - -	- - - - - -	- - - - - -	681,580 681,580 272,632 681,580 681,580 272,632	2,044,741 2,044,741 272,632 2,044,741 2,044,741 272,632	Note Note Note Note Note Note
6	Sheng Qing	Shenzhen Yu Zhi Zi Bo Yu An Hang Zhou Hua You Tung Ling Kuo Tung Zhuhai Yuhsin An Ching Ling Tung Chang Sha Yu Lu An Ching Tsai Tung Hang Zhou Hua Zhi Guang Zhou Yuan Zhi Guang Zhou Yuan Du Shanghai Yuexing Xiao Gan Yu Feng Nanjing Hanhong Wuhan Yu Hsin Shen Jun Yu Peng Zhu Hai Fu Te En Yulon Motor Investment	Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables	Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y	51,233 12,697 63,643 16,459 102,466 33,623 51,233 52,668 122,959 125,521 179,316 153,699 189,562 234,647 267,102 212,514 237,209 1,104,515	46,448 12,541 57,699 16,257 92,896 33,210 46,448 52,022 111,475 113,798 139,344 139,344 171,858 210,409 263,825 192,666 215,054 1,079,916	- 10,219 11,251 11,612 25,547 31,910 34,279 49,235 65,027 67,350 69,672 69,672 102,186 117,513 189,452 192,666 215,054 1,079,916	- 6.00% - 6.00% 5.75% 5.75%-6% 5.75% 6.00% 6.00% 5.75% 6.00% 6.00% 5.75% 5.60% 0-5.6% 0-6% 5.75%-6% 0-6% 4.10%	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - - - - - - - - - - - - - - -	Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital Operating capital	- - - - - - - - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -	1,608,062 1,608,062 643,225 1,608,062 1,608,062 1,608,062 1,608,062 1,608,062 643,225 643,225 643,225 1,608,062 1,608,062 1,608,062 1,608,062 643,225 1,608,062 1,608,062 1,608,062	4,824,186 4,824,186 643,225 4,824,186 4,824,186 4,824,186 4,824,186 4,824,186 643,225 643,225 643,225 4,824,186 4,824,186 4,824,186 4,824,186 643,225 4,824,186 4,824,186 4,824,186	Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note Note	
7	Zhu Hai Fu Te En	Nanjing Hanhong Zhuhai Yuhsin	Other receivables Other receivables	Y Y	8,197 102,466	7,432 55,738	7,432 55,738	- 6.00%	Operating capital Operating capital	- -	Operating capital Operating capital	- -	- -	- -	138,759 138,759	277,517 277,517	Note Note
8	Nanjing Hanhong	Zhu Hai Fu Te En Nan Jing Yu Shang	Other receivables Other receivables	Y Y	25,617 56,356	23,224 51,093	- 51,093	- 6.16%	Operating capital Operating capital	- -	Operating capital Operating capital	- -	- -	- -	426,472 426,472	852,943 852,943	Note Note
9	Su Zhou Feng Shen	Su Zhou Cheng Li Su Chou Cheng Pin Su Zhou Chen Long Tai Chang Cheng Mau	Other receivables Other receivables Other receivables Other receivables	Y Y Y Y	51,233 24,887 24,887 24,887	13,934 23,224 23,224 23,224	- - - 23,224	- - - 5.90%	Operating capital Operating capital Operating capital Operating capital	- - - -	Operating capital Operating capital Operating capital Operating capital	- - - -	- - - -	- - - -	247,927 247,927 247,927 247,927	247,927 247,927 247,927 247,927	Note Note Note Note
10	Wu Jiang Lian Cheng	Su Zhou Cheng Pang	Other receivables	Y	24,887	23,224	4,645	5.90%	Operating capital	-	Operating capital	-	-	-	30,306	30,306	Note
11	HangZhou Yu Zhong	Sheng Qing	Other receivables	Y	414,987	376,229	-	-	Operating capital	-	Operating capital	-	-	-	783,767	1,175,650	Note
12	TAC Leasing (Suzhou)	Changzhou Asia Power Su Zhou Yu Guo	Account receivables Account receivables	N Y	27,554 362,727	- 46,490	- 46,490	- 4.57%	Operating capital Operating capital	- -	Operating capital Operating capital	- 581	- -	- -	231,503 463,006	463,006 463,006	Note Note
13	TAC Finance Company	Zhe Jiang Kang Da	Account receivables	Y	102,466	46,490	46,490	9.00%	Operating capital	-	Operating capital	581	-	-	341,837	352,120	Note
14	TAC	Yu Rich	Other receivables	Y	800,000	800,000	-	1.15%	Operating capital	-	Operating capital	-	-	-	928,426	3,877,610	Note
15	Shanghai Yuming	Ka Shing Yu Da	Other receivables	Y	4,977	4,645	-	5.60%	Operating capital	-	Operating capital	-	-	-	49,335	49,335	Note

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
16	Guang Zhou Yuan Du	Guang Zhou Yuan Zhi	Other receivables	Y	\$ 74,661	\$ 69,672	\$ -	-	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 97,910	\$ 97,910	Note
17	Su Zhou Feng Shun	Su Zhou Cheng Li	Other receivables	Y	24,887	23,224	-	-	Operating capital	-	Operating capital	-	-	-	67,248	67,248	Note
		Su Zhou Cheng Guo	Other receivables	Y	24,887	23,224	-	-	Operating capital	-	Operating capital	-	-	-	67,248	67,248	Note
18	An Hui Min Tung	An Ching Ling Tung	Other receivables	Y	9,911	9,290	-	-	Operating capital	-	Operating capital	-	-	-	11,612	23,224	Note

Note: Yulon China (HK) Holding: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was US\$25 million and aggregate financing limits was US\$25 million.

Yulon China Investment Co., Ltd.: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was US\$120 million and aggregate financing limits was US\$120 million.

Hong Shou Culture: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Hsiang Shou: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Yulon Motor Investment: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was 100% of the lender's net equity and aggregate financing limits was 300% of the lender's net equity.

Sheng Qing: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was 100% of the lender's net equity and aggregate financing limits was 300% of the lender's net equity.

Zhu Hai Fu Te En: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was 100% of the lender's net equity and aggregate financing limits was 200% of the lender's net equity.

Nanjing Hanhong: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was 150% of the lender's net equity and aggregate financing limits was 300% of the lender's net equity.

Su Zhou Feng Shen: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Wu Jiang Lian Cheng: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Hangzhou Yu Zhong: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was 1,000% of the lender's net equity and aggregate financing limits was 1,500% of the lender's net equity.

TAC Leasing (Suzhou): Credit financing limit for each associates and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to non-associates, credit financing limit for each borrower was not exceeding 20% of the lender's net equity.

TAC Finance Company: Credit financing limit for each associates and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to non-associates, credit financing limit for each borrower was not exceeding 20% of the lender's net equity.

TAC: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to each borrower was not exceeding 10% of the lender's net equity.

Shanghai Yuming: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Guang Zhou Yuan Du: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

Su Zhou Feng Shun: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity.

An Hui Min Tung: Credit financing limit for each borrower and aggregate financing limits were not exceeding 40% of the lender's net equity. While the financing was provided to a foreign subsidiary which was directly or indirectly held by the Company, credit financing limit for each borrower was \$2.5 million and aggregate financing limits was \$5 million.

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Each Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note	
		Name	Relationship (Note 2)												
0	The Company	Yushin	b	\$ 9,760,036	\$ 50,000	\$ -	\$ -	\$ -	-	\$ 27,885,818	Y	N	N	Note 1	
		Sin Chi	b	9,760,036	500,000	500,000	-	-	0.72	27,885,818	Y	N	N	Note 1	
		Yu Yuen	c	9,760,036	600,000	600,000	-	-	0.86	27,885,818	Y	N	N	Note 1	
		Yu Sing	b	9,760,036	690,000	690,000	270,000	-	0.99	27,885,818	Y	N	N	Note 1	
		Yu Ching	b	9,760,036	1,000,000	1,000,000	-	-	1.43	27,885,818	Y	N	N	Note 1	
		UMPI	c	9,760,036	1,749,800	1,678,508	524,656	-	2.41	27,885,818	Y	N	N	Note 1	
		Luxgen	b	9,760,036	7,400,000	7,400,000	4,540,000	-	10.61	27,885,818	Y	N	N	Note 1	
1	Union & NKH Auto Parts	Hangchow Liangrun	c	337,665	245,903	186,224	148,980	-	7.72	964,756	N	N	Y	Note 1	
2	Yueki	Hangchow Yue Wan	c	454,167	47,506	46,448	-	-	5.10	454,167	N	N	Y	Note 1	
3	Y-Teks	Hangchow Y-Teks	c	321,348	84,125	-	-	-	-	535,580	N	N	Y	Note 1	
4	TAC	Car-Plus Leasing (Shanghai)	c	24,235,068	320,000	320,000	219,886	-	3.30	48,470,135	N	N	Y	Note 1	
		TAC Finance Company	c	24,235,068	10,000,000	10,000,000	6,008,325	-	103.16	48,470,135	N	N	Y	Note 1	
5	Car-plus Corporation	Diamond Leasing	b	4,548,738	500,000	500,000	180,000	-	27.42	9,117,495	N	N	N	Note 1	
		Car-Plus (Suzhou)	c	4,548,738	960,000	-	-	-	-	-	9,117,495	N	N	Y	Note 1
		Car-Plus Leasing (Shanghai)	c	4,548,738	480,000	480,000	329,829	-	26.38	9,117,495	N	N	Y	Note 1	
6	Sheng Qing	Zhuhai Yuhsin	c	8,040,311	87,096	-	-	-	-	40,201,553	N	N	Y	Note 1	
		Chang Sha Yu Lu	b	8,040,311	153,699	-	-	-	-	40,201,553	N	N	Y	Note 1	
		Shen Jun Yu Peng	b	8,040,311	153,699	-	-	-	-	40,201,553	N	N	Y	Note 1	
		Fu Jian Yu Xin	b	8,040,311	153,699	139,344	-	-	8.67	40,201,553	N	N	Y	Note 1	
		Qingdao Yuanhuang	b	8,040,311	409,864	139,344	78,217	-	8.67	40,201,553	N	N	Y	Note 1	
		Guang Zhou Yuan Du	b	8,040,311	409,864	371,584	132,224	-	23.11	40,201,553	N	N	Y	Note 1	
7	Nanjing Hanhong	Zhu Hai Fu Te En	c	568,629	184,439	167,213	-	-	58.81	710,786	N	N	Y	Note 1	
8	Zhu Hai Fu Te En	Nanjing Hanhong	c	371,584	281,782	139,334	-	-	100.42	557,376	N	N	Y	Note 1	
9	Su Zhou Feng Shen	Wu Jiang Lian Cheng	c	619,818	51,233	46,448	46,448	-	7.49	1,859,454	N	N	Y	Note 1	
		Su Zhou Feng Shun	b	619,818	358,631	69,672	69,672	-	11.24	1,859,454	N	N	Y	Note 1	
		Su Zhou Cheng Pang	b	619,818	102,466	92,896	-	-	14.99	1,859,454	N	N	Y	Note 1	
		Su Chou Cheng Pin	b	619,818	116,603	116,120	-	-	18.73	1,859,454	N	N	Y	Note 1	
10	Wu Jiang Lian Cheng	Su Zhou Feng Shen	d	418,032	333,015	92,896	92,896	-	122.61	928,960	N	N	Y	Note 1	
		Su Zhou Feng Shun	d	418,032	323,531	301,912	69,672	-	398.48	928,960	N	N	Y	Note 1	
11	Su Zhou Feng Shun	Su Zhou Feng Shen	d	840,594	99,548	92,896	92,896	-	55.26	1,681,188	N	N	Y	Note 1	
		Wu Jiang Lian Cheng	b	840,594	223,983	209,016	46,448	-	124.33	1,681,188	N	N	Y	Note 1	
12	Su Zhou Cheng Pang	Su Zhou Feng Shen	d	418,032	230,549	209,016	-	-	651.07	836,064	N	N	Y	Note 1	
13	Xiao Gan Yu Feng	Sheng Qing	d	187,666	51,233	46,448	-	-	123.75	375,332	N	N	Y	Note 1	

(Continued)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Each Endorsement/Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
14	Jiangmen Junxing	Sheng Qing	d	\$ 255,687	\$ 51,233	\$ 46,448	\$ -	\$ -	90.83	\$ 511,373	N	N	Y	Note 1
15	Guang Zhou Yuan Du	Guang Zhou Yuan Zhi	b	489,552	74,661	69,672	-	-	28.46	1,223,880	N	N	Y	Note 1
16	Guang Zhou Yuan Zhi	Guang Zhou Yuan Du	d	575,679	398,192	371,584	132,224	-	968.21	959,465	N	N	Y	Note 1

Note 1: The Company: The aggregate endorsement/guarantee limit was calculated for 40% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party were not exceeding 35% of the aggregate endorsement/guarantee amounts.
Union & NKH Auto Parts: The aggregate endorsement/guarantee limit was calculated for 40% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party were not exceeding 35% of the aggregate endorsement/guarantee amounts.
Yueki: The aggregate endorsement/guarantee limit was calculated for 50% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party were not exceeding 50% of the aggregate endorsement/guarantee amounts.
Y-Teks: The aggregate endorsement/guarantee limit was calculated for 50% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 30% of the endorser's/guarantor's net equity
TAC: The aggregate endorsement/guarantee limit was calculated for 500% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party were not exceeding 50% of the aggregate endorsement/guarantee amounts.
Car-plus Corporation: The aggregate endorsement/guarantee limit was calculated for 500% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 250% of the endorser's/guarantor's net equity
Sheng Qing: The aggregate endorsement/guarantee limit was calculated for 2,500% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 500% of the endorser's/guarantor's net equity
Nanjing Hanhong: The aggregate endorsement/guarantee limit was calculated for 250% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 200% of the endorser's/guarantor's net equity
Zhu Hai Fu Te En: The aggregate endorsement/guarantee limit was RMB120 million. The limits on each endorsement/guarantee given on behalf of each party was RMB80 million.
Su Zhou Feng Shen: The aggregate endorsement/guarantee limit was calculated for 300% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 100% of the endorser's/guarantor's net equity.
Wu Jiang Lian Cheng: The aggregate endorsement/guarantee limit was calculated for 200 million. The limits on each endorsement/guarantee given on behalf of each party was calculated for 90 million.
Su Zhou Feng Shun: The aggregate endorsement/guarantee limit was calculated for 1,000% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 500% of the endorser's/guarantor's net equity.
Su Zhou Cheng Pang: The aggregate endorsement/guarantee limit was RMB180 million. The limits on each endorsement/guarantee given on behalf of each party was RMB90 million.
Xiao Gan Yu Feng: The aggregate endorsement/guarantee limit was calculated for 1,000% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 500% of the endorser's/guarantor's net equity.
Jiangmen Junxing: The aggregate endorsement/guarantee limit was calculated for 1,000% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 500% of the endorser's/guarantor's net equity.
Guang Zhou Yuan Du: The aggregate endorsement/guarantee limit was calculated for 500% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 250% of the endorser's/guarantor's net equity
Guang Zhou Yuan Zhi: The aggregate endorsement/guarantee limit was calculated for 2,500% of the endorser's/guarantor's net equity. The limits on each endorsement/guarantee given on behalf of each party was calculated for 1,500% of the endorser's/guarantor's net equity

Note 2: The relationship between guarantor and guarantee are as follows:

- The company in relation to business.
- Subsidiaries' common stocks which were directly owned by parent company over 50%.
- Investees' common stocks which were both owned by parent company and subsidiary over 50%.
- Investees' common stocks which were directly or indirectly held by the Company over 50%.
- Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- Owing to the joint venture funded by the shareholders on its endorsement of its holding company.

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note	
				Shares or Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
The Company	<u>Structured finance products</u>								
	SinoPac Securities - Lextar 2nd	-	Financial assets at fair value through profit or loss - current	250	\$ 25,185	-	\$ 25,185	-	
	Yuanta Securities - Union 1st	-	Financial assets at fair value through profit or loss - current	300	30,103	-	30,103	-	
	Yuanta Securities - Union 1st	-	Financial assets at fair value through profit or loss - current	300	30,108	-	30,108	-	
	Yuanta Securities CLN-I-chiun 5th	-	Financial assets at fair value through profit or loss - current	135	13,506	-	13,506	-	
	SinoPac Securities CLNT0033-feihung 1st	-	Financial assets at fair value through profit or loss - current	300	30,055	-	30,055	-	
	KGI Securities CLN20150303001-Chime Ball Tech 1st	-	Financial assets at fair value through profit or loss - current	150	15,033	-	15,033	-	
	KGI Securities CLN-Wan Zhou 3	-	Financial assets at fair value through profit or loss - current	250	25,033	-	25,033	-	
	SinoPac Securities CLN0031-Lextar 2nd	-	Financial assets at fair value through profit or loss - current	305	30,657	-	30,657	-	
	Yuanta Securities CLN-Chisan Electronic 4th	-	Financial assets at fair value through profit or loss - current	56	5,601	-	5,601	-	
	KGI Securities CLN-TSC	-	Financial assets at fair value through profit or loss - current	100	10,045	-	10,045	-	
	KGI Securities CLN-TSC	-	Financial assets at fair value through profit or loss - current	200	20,090	-	20,090	-	
	Yuanta Securities - ICHIA Bonds	-	Financial assets at fair value through profit or loss - current	370	37,085	-	37,085	-	
	Yuanta Securities - AVY	-	Financial assets at fair value through profit or loss - current	200	20,116	-	20,116	-	
	SinoPac Securities CLN-Jin Ke 1st	-	Financial assets at fair value through profit or loss - current	400	40,229	-	40,229	-	
	KGI Securities CLN-Rechi Corp. 2nd	-	Financial assets at fair value through profit or loss - current	140	14,066	-	14,066	-	
	Uni Securities PGN-Structured Finance Products No.33	-	Financial assets at fair value through profit or loss - current	700	70,148	-	70,148	-	
	Yuanta Securities - USDLIBOR	-	Financial assets at fair value through profit or loss - current	320	32,031	-	32,031	-	
	<u>Common stocks</u>								
	Photronics DNP Mask Company	Related party in substance	Available-for-sale financial assets - non-current	856	7,394	0.34	7,394	-	
	First Financial Holding Company	-	Available-for-sale financial assets - non-current	922	15,851	0.01	15,851	-	
Mison - Century Technology, Ltd	Related party in substance	Available-for-sale financial assets - non-current	5,025	25,274	8.37	25,274	-		
Taiwin Company	The same chairman	Financial assets measured at cost - non-current	6,692	26,240	5.09	-	-		
Shin Bus Company	-	Financial assets measured at cost - non-current	153	485	0.32	-	-		
Taiwan Stock Exchange	-	Financial assets measured at cost - non-current	6,768	1,206	1.00	-	-		
Taiwan Aerospace Company	-	Financial assets measured at cost - non-current	811	-	0.60	-	-		
TAC	<u>Bonds</u>								
	Government bonds	-	Held-to-maturity financial assets - non-current	-	5,703	-	5,703	-	
SCC	<u>Bonds</u>								
	Government bonds	-	Held-to-maturity financial assets - non-current	-	11,392	-	11,632	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
H. K. Manpower	<u>Beneficiary certificates</u>							
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss - current	254	\$ 3,011	-	\$ 3,011	-
	Union Money Market	-	Financial assets at fair value through profit or loss - current	235	3,070	-	3,070	-
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss - current	206	3,018	-	3,018	-
	Capital Money Market	-	Financial assets at fair value through profit or loss - current	129	2,056	-	2,056	-
Zhejiang Cheng-Yi	<u>Financial products - PGN</u>							
	Ben Li Feng” 62 days open RMB Wealth Management Product	-	Available-for-sale financial assets - current	-	4,671	-	4,671	-
	<u>Financial products - NPGN</u>							
	Apex Asset Management Bamboo 1W financial product	-	Available-for-sale financial assets - current	-	11,532	-	11,532	-
	Apex Asset Management TianyiJin to Government Agency B Type financial product	-	Available-for-sale financial assets - current	-	1,489	-	1,489	-
Hangzhou Cheng-Yi-Jun	<u>Financial products - NPGN</u>							
	Apex Asset Management TianyiJin to Government Agency B Type financial product	-	Available-for-sale financial assets - current	-	1,396	-	1,396	-
Tai Yuen Venture Capital	<u>Beneficiary certificates</u>							
	Cathay Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	1,328	16,395	-	16,395	-
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	2,379	36,036	-	36,036	-
	<u>Common stocks</u>							
	Asia Plastic Recycling Holding Limited	-	Available-for-sale financial assets - current	519	9,183	-	9,183	-
	JOYIN Company	-	Financial assets measured at cost - non-current	1,880	5,639	-	Not applicable	-
	Orgchem Technology Company	-	Financial assets measured at cost - non-current	242	4,235	-	Not applicable	-
	Phalanx Biotech Group	-	Financial assets measured at cost - non-current	697	4,877	-	Not applicable	-
	UOG Industrial Company	-	Financial assets measured at cost - non-current	229	2,018	-	Not applicable	-
	Solidlite Company	-	Financial assets measured at cost - non-current	344	1,031	-	Not applicable	-
	Jouge Company	-	Financial assets measured at cost - non-current	444	2,265	-	Not applicable	-
	Paragon Semiconductor Lighting Technology Company	-	Financial assets measured at cost - non-current	1,500	4,500	-	Not applicable	-
	Neutron	-	Financial assets measured at cost - non-current	2,929	17,571	-	Not applicable	-
	Hero Cinema Company	-	Financial assets measured at cost - non-current	152	253	-	Not applicable	-
Ecrowd Media	-	Financial assets measured at cost - non-current	1,000	2,000	-	Not applicable	-	
Yu Pong	<u>Beneficiary certificates</u>							
	Union Global ETF Fund of Funds	-	Financial assets at fair value through profit or loss - current	755	7,394	-	7,394	-
	FSITC RMB High Yield Bond TWD Inc.	-	Financial assets at fair value through profit or loss - current	1,000	9,482	-	9,482	-
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss - current	1,662	17,003	-	17,003	-
	THE RSIT Digital Fund	-	Financial assets at fair value through profit or loss - current	186	4,954	-	4,954	-
	KGI Silver Age	-	Financial assets at fair value through profit or loss - current	1,000	9,860	-	9,860	-
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	130	23,016	-	23,016	-
	Union Money Market	-	Financial assets at fair value through profit or loss - current	191	2,502	-	2,502	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	<u>Structured finance products</u>							
	CLNF20151105001-Tarako Textile Corp	-	Financial assets at fair value through profit or loss - current	-	\$ 6,414	-	\$ 6,414	-
	CLN20160303001-Genovate	-	Financial assets at fair value through profit or loss - current	-	8,069	-	8,069	-
	CLN20160622001 Fu Ciao 4th	-	Financial assets at fair value through profit or loss - current	-	9,158	-	9,158	-
	CLN20160421002-Genovate	-	Financial assets at fair value through profit or loss - current	-	2,017	-	2,017	-
	CLN20160419001	-	Financial assets at fair value through profit or loss - current	-	1,002	-	1,002	-
	CLN20160526001	-	Financial assets at fair value through profit or loss - current	-	3,112	-	3,112	-
	<u>Common stocks</u>							
	Yulon Motor Company	The parent company	Available-for-sale financial assets - current	-	3	-	3	-
	Fubon Financial Company	-	Available-for-sale financial assets - current	2,419	123,357	-	123,357	-
Yu Yuen	<u>Common stocks</u>							
	CARNIVAL Company	Related party in substance	Financial assets at fair value through profit or loss - current	118	608	-	608	-
	RECTRON Company	-	Financial assets at fair value through profit or loss - current	16	105	-	105	-
	YangMing Marine Transport Corp.	-	Financial assets at fair value through profit or loss - current	12	57	-	57	-
	Taiwan Shin Kong Security Co., Ltd.	-	Financial assets at fair value through profit or loss - current	50	1,980	-	1,980	-
	Compal Electronics Company	-	Financial assets at fair value through profit or loss - current	14	260	-	260	-
	Yue Sheng Company	The same ultimate parent company	Financial assets measured at cost - non-current	2	33	-	Not applicable	-
China Cast Iron Pipe	<u>Beneficiary certificates</u>							
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss - current	2,803	28,285	-	28,265	-
Yue Sheng	<u>Common stocks</u>							
	Yueki Company	The same ultimate parent company	Financial assets measured at cost - non-current	10	100	0.08	Not applicable	-
Qinton	<u>Beneficiary certificates</u>							
	Taishin 1699 Money Market	-	Financial assets at fair value through profit or loss - current	97	1,300	-	1,300	-
Yung Hong	<u>Common stocks</u>							
	CARNIVAL Company	Related party in substance	Financial assets at fair value through profit or loss - current	283	1,452	-	1,452	-
	Kian-shen Company	Related party in substance	Financial assets at fair value through profit or loss - current	81	9,058	-	9,058	-
	Asia Plastic Recycling Holding Limited	-	Financial assets at fair value through profit or loss - current	2,203	39,324	-	39,324	-
	TAC Corporation	The same ultimate parent company	Financial assets at fair value through profit or loss - current	4	336	-	336	-
	<u>Beneficiary certificates</u>							
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	23,621	357,794	-	357,794	-
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	1,071	189,215	-	189,215	-
	Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	2,417	30,018	-	30,018	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Yu Ching	<u>Common stocks</u>							
	Asia Plastic Recycling Holding Limited	-	Available-for-sale financial assets - current	1,863	\$ 32,605	-	\$ 32,605	-
	Fubon Momo Company	-	Available-for-sale financial assets - current	7	1,358	-	1,358	-
	Gongin Company	-	Financial assets measured at cost - current	148	1,099	-	Not applicable	-
	The Risk on Rock	-	Financial assets measured at cost - non-current	330	9,900	-	Not applicable	-
	Tai Yuen Company	The same ultimate parent company	Financial assets measured at cost - non-current	11	96	-	Not applicable	-
	Zhao Bang Company	-	Financial assets measured at cost - non-current	1,101	2	-	Not applicable	-
	Orgchem Technology Company	-	Financial assets measured at cost - non-current	291	5,298	-	Not applicable	-
	T-CarInc.	-	Financial assets measured at cost - non-current	425	55,823	-	Not applicable	-
	ADTO Company	-	Financial assets measured at cost - non-current	1	10	-	Not applicable	-
	<u>Beneficiary certificates</u>							
	Goldman Sachs (Asia) L.L.C.	-	Financial assets measured at cost - non-current	-	1,613	-	Not applicable	-
	<u>Beneficiary certificates</u>							
	Taishin Lucky Money Market	-	Financial assets at fair value through profit or loss - current	7,402	81,619	-	81,619	-
	Taishin Asia-America Short Duration Bd	-	Financial assets at fair value through profit or loss - current	3,033	33,139	-	33,139	-
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,371	80,457	-	80,457	-
	CTBC Asia Pacific Multiple Inc. TWD Acc	-	Financial assets at fair value through profit or loss - current	1,000	10,058	-	10,058	-
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	2,908	44,045	-	44,045	-
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	568	100,309	-	100,309	-
Union Money Market	-	Financial assets at fair value through profit or loss - current	153	2,004	-	2,004	-	
Mega Diamond Money Market	-	Financial assets at fair value through profit or loss - current	4,351	54,033	-	54,033	-	
<u>Common stocks</u>								
Gongin Company		Financial assets measured at cost - current	147	1,911	-	Not applicable	-	
Yulon Motor Company	The parent company	Available-for-sale financial assets - non-current	11,838	317,271	-	317,271	-	
Fubon Financial Company	-	Available-for-sale financial assets - non-current	7,342	374,450	-	374,450	-	
Yulon Management	Related party in substance	Financial assets measured at cost - non-current	1	9	-	Not applicable	-	
Chinh-Ling	<u>Beneficiary certificates</u>							
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss - current	1,724	17,639	-	17,639	-
Yu Chang	<u>Common stocks</u>							
	Kai Xing Insurance Agency	-	Financial assets measured at cost - non-current	43	726	6.96	Not applicable	-
Yushin	<u>Common stocks</u>							
	Kai Xing Insurance Agency	-	Financial assets measured at cost - non-current	43	781	6.96	Not applicable	-
Yu Pool	<u>Common stocks</u>							
	Yu Pool Company	Related party in substance	Financial assets measured at cost - non-current	150	1,500	4.69	Not applicable	-
Hsiang Shou	<u>Beneficiary certificates</u>							
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss - current	1,957	20,022	-	20,022	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares or Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fuzhou Lianghong	<u>Beneficiary certificates</u>							
	SPD BANK	-	Financial assets at fair value through profit or loss - current	-	\$ 139,470	-	\$ 139,470	-
	Gan Yuan- Ri Xin Yue Yi	-	Financial assets at fair value through profit or loss - current	-	232,450	-	232,450	-
Empower	<u>Common stocks</u>							
	Kai Xing Insurance Agency	-	Financial assets measured at cost - non-current	85	847	14.00	Not applicable	-
Sin Chi	<u>Beneficiary certificates</u>							
	The RSIT Enhanced	-	Financial assets at fair value through profit or loss - current	2,457	29,134	-	29,134	-
	Franklin Money Fund	-	Financial assets at fair value through profit or loss - current	991	10,143	-	10,143	-
Yu Sing	<u>Common stocks</u>							
	Kai Xing Insurance Agency	-	Financial assets measured at cost - non-current	43	842	0.07	Not applicable	-
Yulon China	<u>Beneficiary certificates</u>							
	Samoa Auto King	-	Financial assets measured at cost - non-current	-	3,225	-	Not applicable	-
	Samoa Yung Jen Industrial	-	Financial assets measured at cost - non-current	-	2,419	-	Not applicable	-

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount (Note 1)	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount (Note 1)
The Company	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	193,443	\$ 2,300,000	193,443	\$ 2,300,543	\$ 2,300,000	\$ 543	-	\$ -
	The RSIT Enhanced Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	45,713	541,060	45,713	541,241	541,060	181	-	-
	Fubon Chi-Hsiang Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	89,577	1,390,000	89,577	1,390,189	1,390,000	189	-	-
	Shin Kong Chi-Shin Money-Market	Financial assets at fair value through profit or loss - current	-	-	-	-	35,533	520,472	35,533	520,540	518,647	1,893	-	-
	Yuanta Wan Tai Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	69,720	1,045,000	69,720	1,045,068	1,045,000	68	-	-
	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	51,465	830,000	51,465	830,158	830,000	158	-	-
	Jih Sun Money Market	Financial assets at fair value through profit or loss - current	-	-	34,981	511,479	131,099	1,920,000	166,080	2,433,782	2,430,185	3,597	-	-
	CAPITAL Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	169,877	2,710,000	169,877	2,710,808	2,710,000	808	-	-
	Prudential Financial Money Market	Financial assets at fair value through profit or loss - current	-	-	38,555	601,818	90,127	1,410,000	128,682	2,013,586	2,010,306	3,280	-	-
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	7,148	1,260,000	7,148	1,260,892	1,260,000	892	-	-
	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss - current	-	-	6,653	100,439	68,129	1,030,000	74,782	1,131,875	1,130,262	1,613	-	-
	Union Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	135,494	1,770,000	135,494	1,770,405	1,770,000	405	-	-
	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	227,450	2,480,000	227,450	2,480,289	2,480,000	289	-	-
	Taishin 1699 Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	136,114	1,820,000	136,114	1,820,966	1,820,000	966	-	-
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	168,679	2,370,000	168,679	2,371,155	2,370,000	1,155	-	-
	Taishin Lucky Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	36,363	400,000	36,363	400,231	400,000	231	-	-
	Allianz Gbl Investors Taiwan Money Mkt	Financial assets at fair value through profit or loss - current	-	-	-	-	258,359	3,200,000	258,359	3,201,544	3,200,000	1,544	-	-
	Nomura Taiwan Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	193,397	3,120,000	193,397	3,120,288	3,120,000	288	-	-
	Mega Diamond Money Market	Financial assets at fair value through profit or loss - current	-	-	40,505	501,323	32,312	400,000	72,817	903,889	900,000	3,889	-	-
	Paradigm Pion Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	307,773	3,520,000	307,773	3,520,592	3,520,000	592	-	-
	Franklin Templeton Sinoam Money Market	Financial assets at fair value through profit or loss - current	-	-	49,034	500,049	49,018	500,000	98,052	1,003,266	999,138	4,127	-	-
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	3	300,007	-	-	3	300,414	300,000	414	-	-
	Jih Sun Securities PGN - FPC & TSMC & CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	4	350,000	4	350,492	350,000	492	-	-
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	3	300,000	3	300,184	300,000	184	-	-

(Continued)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units	Amount (Note 1)	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount (Note 1)
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	3	\$ 300,000	3	\$ 300,230	\$ 300,000	\$ 230	-	\$ -
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	3	300,000	3	300,173	300,000	173	-	-
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	3	300,000	3	300,161	300,000	161	-	-
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	3	300,000	3	300,202	300,000	202	-	-
	KGI PGN - CHT	Financial assets at fair value through profit or loss - current	-	-	-	-	3	300,000	3	300,199	300,000	199	-	-
	CAPITAL PGN313	Financial assets at fair value through profit or loss - current	-	-	-	-	3	250,000	3	250,432	250,000	432	-	-
	Yu Ping	Investments accounted for using equity method	Note 2	The Company's subsidiary	-	-	50,599	2,023,950	50,599	2,044,818	2,023,950	20,868	-	-
	Yu Ching Business Co., Ltd.	Investments accounted for using equity method	Notes 2 and 4	The Company's subsidiary	175,000	1,852,694	-	-	116,796	1,356,069	1,356,069	-	72,691	690,858
	Yu Pong Business Co., Ltd.	Investments accounted for using equity method	Note 2	The Company's subsidiary	65,721	823,780	19,057	672,719	60,200	670,600	670,600	-	25,484	926,876
	Yung Hong Company	Investments accounted for using equity method	Note 2	The Company's subsidiary	144,622	1,438,131	-	-	67,000	670,000	670,000	-	77,622	812,713
	Yu Yuen	Investments accounted for using equity method	Issuance of common stock for cash	The Company's subsidiary	-	-	122,100	4,857,686	-	-	-	-	122,100	4,825,021
Yu Ching	Yu Yuen	Investments accounted for using equity method	Note 2	The Company's subsidiary	40,324	677,082	-	-	40,324	682,956	682,956	-	-	-
Yu Pong	Yu Yuen	Investments accounted for using equity method	Note 2	The Company's subsidiary	39,543	664,073	-	-	39,543	670,161	670,161	-	-	-
	Yu Ching	Investments accounted for using equity method	Note 4	The Company's subsidiary	-	-	48,461	672,719	-	-	-	-	48,461	672,719
Yung Hong	Yu Yuen	Investments accounted for using equity method	Note 2	The Company's subsidiary	39,543	663,388	-	-	39,543	669,476	669,476	-	-	-
Yu Yuen	Yu-Jie	Investments accounted for using equity method	Issuance of common stock for cash	The Company's subsidiary	-	-	500,000	1,407,587	-	-	-	-	500,000	1,394,810
TAC	Yu Rich Financial Services Co., Ltd	Investments accounted for using equity method	Issuance of common stock for cash	TAC Corporation's subsidiary	-	-	45,455	500,001	-	-	-	-	45,455	495,926

Note 1: The beginning balance and ending balance included adjustments of unrealized gains or loss on financial assets and investments accounted for using equity method.

Note 2: The company established Yu Ping that Yu Ching, Yu Pong and Yung Hong splited and reduced capital the stock share of Yu Yuen.

Note 3: The company merged Yu Ping.

Note 4: The Yu Ching Business Co., Ltd owned 40% of Yu Pong.

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
						None						

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
						None						

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Purchasing or (Selling) Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Yulon Nissan	An investee accounted for by equity method	Sales	\$(27,995,085)	71	Within 180 days	-	60 days to 180 days	\$ 248,494	55	
	Luxgen	The Company's subsidiary	Sales	(10,323,197)	27	Within 90 days	-	60 days to 180 days	98,980	22	
	Dong Feng Yulon Motors	An investee accounted for by equity method	Sales	(448,734)	1	Within 60 days	-	60 days to 180 days	48,107	11	
TAC	Yu Chang	The same ultimate parent company	Sales	(4,788,489)	11	Receipt of payment on the day	-	-	8,121	-	
	Yu Sing	The same ultimate parent company	Sales	(3,383,302)	8	Receipt of payment on the day	-	-	14,202	-	
	Yuan Lon	An investee accounted for by equity method	Sales	(3,881,537)	9	Receipt of payment on the day	-	-	7,981	-	
	Hui-Lian	An investee accounted for by equity method	Sales	(3,582,498)	8	Receipt of payment on the day	-	-	16,889	-	
	Empower	The same ultimate parent company	Sales	(2,955,685)	7	Receipt of payment on the day	-	-	6,420	-	
	Yushin	The same ultimate parent company	Sales	(2,683,671)	6	Receipt of payment on the day	-	-	10,182	-	
	Luxgen Taipei	The same ultimate parent company	Sales	(4,220,678)	10	Receipt of payment on the day	-	-	16,571	-	
	Cheng Long	An investee accounted for by equity method	Sales	(2,635,110)	6	Receipt of payment on the day	-	-	29,712	-	
	Yu Tang	An investee accounted for by equity method	Sales	(2,679,505)	6	Receipt of payment on the day	-	-	12,524	-	
	Luxgen Taoyuan	The same ultimate parent company	Sales	(2,356,383)	5	Receipt of payment on the day	-	-	9,536	-	
	Luxgen Taichung	The same ultimate parent company	Sales	(2,411,362)	6	Receipt of payment on the day	-	-	4,750	-	
	Luxgen Kaohsiung	The same ultimate parent company	Sales	(1,816,479)	4	Receipt of payment on the day	-	-	2,946	-	
	Luxgen Tainan	The same ultimate parent company	Sales	(1,485,404)	3	Receipt of payment on the day	-	-	2,612	-	
	Ding Long	An investee accounted for by equity method	Sales	(1,244,633)	3	Receipt of payment on the day	-	-	110	-	
Yuan Zhi	An investee accounted for by equity method	Sales	(510,114)	1	Receipt of payment on the day	-	-	1,597	-		
Lian Cheng	An investee accounted for by equity method	Sales	(690,871)	2	Receipt of payment on the day	-	-	1,100	-		
Diamond Leasing	Car-plus Corporation	The same ultimate parent company	Sales	(838,674)	100	1 day	-	-	20,198	34	
Sin Jiang	TAC	The same ultimate parent company	Sales	(3,457,714)	92	Receipt of payment on the day	-	-	995	3	
Yu Sing	Car-plus Corporation	The same ultimate parent company	Sales	(312,601)	7	30 days	-	-	15,507	6	
Yu-Jan	Yu Sing	The Company's subsidiary	Sales	(195,192)	93	At sight or a month	Bargaining	At sight or a month	11,103	92	
Luxgen	TAC	The Company's subsidiary	Sales	(12,196,487)	93	Within 3 days	-	-	47,382	29	
	Luxgen Taipei	The same ultimate parent company	Sales	(338,904)	3	At sight	-	-	-	-	
	Luxgen Taoyuan	The same ultimate parent company	Sales	(182,143)	1	At sight	-	-	-	-	
	Luxgen Taichung	The same ultimate parent company	Sales	(168,180)	1	At sight	-	-	-	-	
	Luxgen Kaohsiung	The same ultimate parent company	Sales	(108,145)	1	At sight	-	-	-	-	
	Luxgen Tainan	The same ultimate parent company	Sales	(132,257)	1	At sight	-	-	-	-	
Luxgen Taipei	Car-plus Corporation	The same ultimate parent company	Sales	(175,510)	3	1 day	-	-	940	-	
Singgual Travel	The Company	The parent company	Sales	(224,967)	26	At sight or a month	Bargaining	At sight or a month	-	-	
	Luxgen Taipei	The same ultimate parent company	Sales	(141,300)	16	At sight or a month	Bargaining	At sight or a month	-	-	
Singan	The Company	The parent company	Sales	(149,863)	65		Bargaining	At sight or a month	-	-	
Y-Teks	The Company	The parent company	Sales	(314,592)	74	45 days	-	-	60,595	63	
Hangchow Y-Teks	Dong Feng Yulon Motors	An investee accounted for by equity method	Sales	(341,910)	92	60 days	Bargaining	60 days	108,296	73	
Union & NKH Auto Parts	The Company	The parent company	Sales	(1,334,681)	53	60 days	Because the standard and characteristic of products are different, there is no base to compare.	Same as general customer	176,688	40	

(Continued)

Purchasing or (Selling) Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/(Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Union & NKH Auto Parts	China Motor	An investee accounted for by equity method	Sales	\$ (673,311)	27	60 days	Because the standard and characteristic of products are different, there is no base to compare.	Same as general customer	\$ 93,502	21	
Fuzhou Lianghong	Southeast Bus	A related party in substance	Sales	(1,800,797)	74	45 days	-	Same as normal transactions	365,684	69	
Hangchow Liangrun	Dong Feng Yulon Motors	An investee accounted for by equity method	Sales	(758,451)	86	65 days	Note 1	Note 1	214,679	58	
Yueki	The Company	The parent company	Sales	(1,022,247)	65	45 days	Bargaining	45 days	-	-	
	China Motor	An investee accounted for by equity method	Sales	(162,630)	10	45 days	Bargaining	45 days	-	-	
	Kian-shen	A related party in substance	Sales	(140,520)	9	45 days	Bargaining	45 days	-	-	
Hangchow Yue Wan	Dong Feng Yulon Motors	An investee accounted for by equity method	Sales	(257,205)	93	65 days	Bargaining	65 days	148,221	88	
Yue Sheng	The Company	The parent company	Sales	(279,132)	62	At sight or a month	Bargaining	At sight or a month	55,189	78	
Dong Feng Yulon Sales Company	Zhuhai Yuhsin	The same ultimate parent company	Sales	(175,287)	1	Sales revenue received in advance	-	-	-	-	
	Suzhou Yueshun	The same ultimate parent company	Sales	(109,527)	1	Sales revenue received in advance	-	-	-	-	
	Shanghai Yuming	The same ultimate parent company	Sales	(248,786)	1	Sales revenue received in advance	-	-	-	-	
	Ning Bo Yu Cheng	The same ultimate parent company	Sales	(118,147)	1	Sales revenue received in advance	-	-	-	-	
	Fu Jian Yu Xin	The same ultimate parent company	Sales	(134,918)	1	Sales revenue received in advance	-	-	-	-	
	Hang Zhou Hua Zhi	The same ultimate parent company	Sales	(266,281)	1	Sales revenue received in advance	-	-	46,255	3	
	Guang Zhou Yuan Zhi	The same ultimate parent company	Sales	(259,021)	1	Sales revenue received in advance	-	-	-	-	
	Hang Zhou Hua You	The same ultimate parent company	Sales	(185,692)	1	Sales revenue received in advance	-	-	50,649	4	
	Shenzhen Yu Zhi	The same ultimate parent company	Sales	(220,170)	1	Sales revenue received in advance	-	-	-	-	
	Chang Sha Yu Lu	The same ultimate parent company	Sales	(203,420)	1	Sales revenue received in advance	-	-	-	-	
	Jiangmen Yuli	The same ultimate parent company	Sales	(205,434)	1	Sales revenue received in advance	-	-	-	-	
The Company	Union & NKH Auto Parts	The Company's subsidiary	Purchase	1,000,698	5	60 days	Because the standard and characteristic of products are different, there is no base to compare.	-	(176,688)	5	
	Yueki	The Company's subsidiary	Purchase	748,239	3	45 days	Bargaining	45 days	-	-	
	Nissan Motor Co., Ltd.	A related party in substance	Purchase	7,317,601	33	12 days after bill of lading	-	12 days after bill of lading	-	-	
	Singgual Travel	The Company's subsidiary	Purchase	1,507,962	7	At sight or a month	Bargaining	-	-	-	
	Singan	The Company's subsidiary	Purchase	171,955	1	At sight or a month	Bargaining	-	-	-	
	Yue Sheng	The Company's subsidiary	Purchase	201,278	1	At sight or a month	Bargaining	At sight or a month	(55,189)	2	
	Y-Teks	The Company's subsidiary	Purchase	232,335	1	45 days	-	-	(60,595)	2	
	China Ogihara	An investee accounted for by equity method	Purchase	297,347	1	45 days after monthly closing	Bargaining	45 days after monthly closing	-	-	
	China Engine	An investee accounted for by equity method	Purchase	149,498	1	45 days after monthly closing	Bargaining	45 days after monthly closing	-	-	
	TAC	Yulon Nissan	An investee accounted for by equity method	Purchase	24,404,454	67	Within 3 days	-	-	(254,984)	48
Luxgen		The same ultimate parent company	Purchase	9,976,189	26	Within 3 days	-	-	(47,382)	9	
Sin Jiang		The same ultimate parent company	Purchase	2,367,352	7	Within 3 days	-	-	(994)	-	
Car-plus Corporation	Hui-Fong	An investee accounted for by equity method	Purchase	477,581	7	10 days	-	-	(8,407)	3	
	Diamond Leasing	The same ultimate parent company	Purchase	838,674	13	1 day	-	-	(20,198)	8	
	Yu Sing	The same ultimate parent company	Purchase	312,601	5	30 days	-	-	(15,507)	6	
	Luxgen Taipei	The same ultimate parent company	Purchase	175,510	3	1 day	-	-	(940)	-	
Empower	TAC	The same ultimate parent company	Purchase	2,955,685	77	Receipt of payment on the day	-	-	(6,420)	13	
Yu Sing	TAC	The same ultimate parent company	Purchase	3,383,302	79	Receipt of payment on the day	-	-	(14,202)	24	
	Yulon Nissan	An investee accounted for by equity method	Purchase	367,380	9	At sight	-	-	-	-	
	Yu-Jan	An investee accounted for by equity method	Purchase	195,192	5	At sight or a month	-	-	(11,103)	19	
Yushin	TAC	The same ultimate parent company	Purchase	2,683,671	83	At sight	-	-	(10,182)	17	
	Yulon Nissan	An investee accounted for by equity method	Purchase	252,466	8	Receipt of payment on the day	-	-	-	-	

(Continued)

Purchasing or (Selling) Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/(Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yu Chang	TAC	The same ultimate parent company	Purchase	\$ 4,788,489	87	Receipt of payment on the day	-	-	\$ (8,121)	12	
Luxgen	The Company	The parent company	Purchase	10,323,197	97	Within 90 days	-	60 days to 180 days	(98,980)	85	
Luxgen Taipei	TAC	The same ultimate parent company	Purchase	4,220,678	91	Receipt of payment on the day	-	-	(16,571)	41	
	Luxgen	The same ultimate parent company	Purchase	338,904	7	At sight	-	-	-	-	
	Singgual Travel	The same ultimate parent company	Purchase	141,300	3	At sight	-	-	-	-	
Luxgen Taoyuan	TAC	The same ultimate parent company	Purchase	2,356,383	92	Receipt of payment on the day	-	-	(9,536)	23	
	Luxgen	The same ultimate parent company	Purchase	182,143	7	Receipt of payment on the day	-	-	-	-	
Luxgen Taichung	TAC	The same ultimate parent company	Purchase	2,411,362	91	Receipt of payment on the day	-	-	(4,750)	19	
	Luxgen	The same ultimate parent company	Purchase	168,180	6	Receipt of payment on the day	-	-	-	-	
Luxgen Tainan	TAC	The same ultimate parent company	Purchase	1,485,404	93	Receipt of payment on the day	-	-	(2,612)	48	
	Luxgen	The same ultimate parent company	Purchase	132,257	8	Receipt of payment on the day	-	-	-	-	
Luxgen Kaohsiung	TAC	The same ultimate parent company	Purchase	1,816,479	97	Receipt of payment on the day	-	-	(2,946)	77	
	Luxgen	The same ultimate parent company	Purchase	108,145	6	Receipt of payment on the day	-	-	-	-	
Guang Zhou Yuan Zhi	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	259,021	83	Payment in advance	-	-	-	-	
Zhuhai Yuhsin	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	175,287	89	Payment in advance	-	-	-	-	
Shanghai Yuming	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	248,786	69	Payment in advance	-	-	-	-	
Hang Zhou Hua Zhi	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	266,281	92	Payment in advance	-	-	(46,255)	64	
Hang Zhou Hua You	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	185,692	72	Payment in advance	-	-	(50,649)	96	
Shenzhen Yu Zhi	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	220,170	71	Payment in advance	-	-	-	-	
Chang Sha Yu Lu	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	203,420	78	Payment in advance	-	-	-	-	
Suzhou Yueshun	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	109,527	83	Payment in advance	-	-	-	-	
Ning Bo Yu Cheng	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	118,147	100	Payment in advance	-	-	-	-	
Fu Jian Yu Xin	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	134,918	26	Payment in advance	-	-	-	-	
Jiangmen Yuli	Dong Feng Yulon Sales Company	The same ultimate parent company	Purchase	205,434	43	Payment in advance	-	-	-	-	
Dong Feng Yulon Sales Company	Dong Feng Yulon Motors	An investee accounted for by equity method	Purchase	18,027,465	100	Payment in advance	-	-	(7,278,240)	105	

Note: Till the end of balance sheet date, no other transaction parties were available for comparison, since Hangchow Liangrun Parts Company had traded with Dong Feng Yulon Motors and Union & NKH Auto Parts Company only.

(Concluded)

TABLE 8

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	Yulon Nissan	An investee accounted for by equity method	\$ 433,279 (Note 1)	53.47	\$ -	-	\$ 264,947	\$ -
	Luxgen	The Company's subsidiary	120,579 (Note 2)	54.75	-	-	68,566	-
Union & NKH Auto Parts	The Company	The parent company	176,688	8.33	-	-	176,688	-
Hangchow Liangrun	Dong Feng Yulon Motors	An investee accounted for by equity method	214,679	2.10	-	-	53,861	-
Hangchow Yue Wan	Dong Feng Yulon Motors	An investee accounted for by equity method	148,221	1.27	1,650	Actively demand for settlement	2,078	-
Hangchow Y-Teks	Dong Feng Yulon Motors	An investee accounted for by equity method	214,679	2.81	-	-	-	-
Fuzhou Lianghong	Southeast Bus	A related party in substance	365,684	4.48	-	-	147,619	-
Car-plus Corporation	Diamond Leasing	The same ultimate parent company	311,966	70.08	-	Depend on capital status	77,392	-
Yulon Motor Investment	Yu-Jie	The same ultimate parent company	252,341 (Note 3)	-	-	-	-	-
Yulon China (HK) Holding	Sheng Qing	The same ultimate parent company	729,820 (Note 3)	-	-	-	5,288	-
Yulon China	Sheng Qing	The same ultimate parent company	714,928 (Note 3)	-	-	-	2,857	-
Sheng Qing	Nanjing Hanhong	The same ultimate parent company	117,619 (Note 3)	-	-	-	-	-
	Shen Jun Yu Peng	The same ultimate parent company	219,167 (Note 3)	-	-	-	23,245	-
	Hangchow Yue Wan	The same ultimate parent company	164,666 (Note 3)	-	-	-	-	-
	Yulon Motor Investment	The same ultimate parent company	1,080,889 (Note 3)	-	-	-	-	-
	Wuhan Yu Hsin	The same ultimate parent company	189,627 (Note 3)	-	-	-	-	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Ke Yu	Sheng Qing	The same ultimate parent company	\$ 464,898 (Note 3)	-	\$ -	-	\$ -	\$ -
Mei De	Sheng Qing	The same ultimate parent company	139,625 (Note 3)	-	-	-	-	-
Sheng Qing	Zhu Hai Fu Te En	The same ultimate parent company	215,248 (Note 3)	-	-	-	-	-
	Xiao Gan Yu Feng	The same ultimate parent company	102,278 (Note 3)	-	-	-	-	-
Nan Jing Yu Hua	Nanjing Hanhong	The same ultimate parent company	118,503 (Note 3)	-	-	-	-	-

Note 1: The receivables comprised account and notes receivables of \$248,494 thousand and other receivables of \$184,785 thousand.

Note 2: The receivables comprises account receivables of \$98,980 thousand and other receivables of \$21,599 thousand.

Note 3: The receivables comprises other receivables.

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
The Company	Yulon Nissan	Miaoli, Taiwan	Sales of cars	\$ 7,062,225	\$ 7,062,225	143,500	47.83	\$ 10,250,883	\$ 4,630,615	\$ 2,242,977	-
	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	810,409	810,409	111,480	8.05	4,359,206	3,189,100	256,659	-
	TAC	Taipei, Taiwan	Sale and lease of cars and parts	512,150	512,150	125,657	45.75	3,164,150	1,733,071	806,621	-
	Tai-Yuen Textiles	Taipei, Taiwan	Manufacturing and sales of spinning, dyeing or knitting fabrics and import and export of related products	44,956	44,956	170,685	20.85	7,326,065	846,821	95,405	-
	Yueki	Hsinchu, Taiwan	Manufacturing and sale of car components	60,651	60,651	9,846	50.58	375,407	2,255	(6,877)	-
	Yue Sheng	Miaoli, Taiwan	Car manufacture and furnishing; manufacture, installation and sale of car parts	106,948	106,948	14,680	50.97	228,601	28,213	14,074	-
	China Cast Iron Pipe	Taipei, Taiwan	Metal casting and related business	24,850	24,850	25	77.66	54,995	5,191	4,032	-
	Union & NKH Auto Parts	Taipei, Taiwan	Manufacturing and sale of springs for various motor vehicles and sale of nonmotorized vehicles	183,692	183,692	21,729	25.01	615,125	268,050	66,058	-
	Uni-calsonic	Miaoli, Taiwan	Production and sales of various kinds of radiators, heat transfer apparatus, geysers, water tank and car parts	39,372	39,372	3,448	17.68	77,235	25,542	4,532	-
	Yu Chang	Kaohsiung, Taiwan	Sale, maintenance and repair of cars and parts	114,096	114,096	13,999	64.99	80,577	33,643	21,303	-
	China Ogihara	Taoyuan, Taiwan	Design, manufacturing and sales of cars and various kinds of molds, fixtures, stamping parts and inspection implements	280,071	280,071	25,470	37.76	486,467	209,770	66,232	-
	Yuan Lon	Taoyuan, Taiwan	Sale, maintenance and repair of cars and parts	84,405	84,405	7,999	20.00	109,188	9,521	1,803	-
	Yu Ching	Taipei, Taiwan	Import and export and sale of cars and parts	1,077,221	1,749,940	72,691	60.00	690,858	104,632	82,633	-
	Yu Pong	Taipei, Taiwan	Yulon basketball team management and related services	1,122,659	449,940	25,484	100.00	926,876	7,897	7,896	-
	Yung Hong	Taipei, Taiwan	Investments	537,311	537,311	77,622	100.00	812,712	55,354	78,177	-
	Yushin	Hsinchu, Taiwan	Sale, maintenance and repair of cars and parts	132,986	132,986	15,999	80.00	183,610	5,026	1,554	-
	China Engine	Taoyuan, Taiwan	Manufacturing of car engines and parts	320,000	320,000	32,000	18.95	185,239	(3,246)	426	-
	Cheng Long	Taipei, Taiwan	Sale, maintenance and repair of cars and parts	51,677	51,677	8,614	27.00	184,788	134,536	35,336	-
	Tai Yuen Venture Capital	Taipei, Taiwan	Investments	237,897	237,897	26,760	49.50	109,964	(7,690)	(3,807)	-
	Chi Ho	Taipei, Taiwan	Sale, maintenance and repair of cars and parts	27,540	27,540	360	20.00	8,044	(948)	(53)	-
	Yu Tang	Taichung, Taiwan	Sale, maintenance and repair of cars and parts	42,485	42,485	4,249	21.25	75,483	29,676	11,321	-
	ROC-Spicer	Taoyuan, Taiwan	Manufacturing and sales of cars and parts	566,868	566,868	1,004	20.46	620,286	385,940	79,050	-
	Car-plus Corporation	Taipei, Taiwan	Sales and lease of cars	106,372	106,372	2,595	3.46	63,093	414,905	14,342	-
	Singan	Taipei, Taiwan	Wholesale and retail of information software	99,935	99,935	10,213	35.62	135,706	58,641	20,838	-
	Empower	Taichung, Taiwan	Sale, maintenance and repair of cars and parts	29,987	29,987	5,399	20.00	59,614	19,731	3,244	-
	Chan Yun	Taipei, Taiwan	Wholesale and retail of information software	40,680	40,680	8,332	43.85	21,861	(711)	(312)	-
	Sin Jiang	Taipei, Taiwan	Wholesale and retail of secondhand cars	85,895	85,895	8,568	20.01	96,395	28,819	5,766	-
	Sin Chi	Taipei, Taiwan	General advertising planning services	871,157	871,157	87,000	100.00	1,010,492	(9,375)	(16,939)	-
	Yu Sing	Taipei, Taiwan	Sale, maintenance and repair of cars and parts	325,199	325,199	32,519	90.33	13,880	30,745	10,387	-
	Y-Teks	Taoyuan, Taiwan	Manufacturing and furnishing, cars and the import and export of, and serving as sales agent for, car parts	61,307	61,307	602	34.00	340,307	253,523	84,284	-
	Yulon Overseas	B.V.I.	Investments	10,034,951	9,885,917	325,764	100.00	904,589	(4,146,650)	(4,119,221)	-
	Tokio Marine Nawa Insurance	Taipei, Taiwan	Property insurance	796,956	796,956	52,010	17.39	1,272,064	806,070	140,189	-
	Yu Rich	Taipei, Taiwan	Installment loans of consumer goods and wholesale of cars and parts	99,000	99,000	9,900	17.88	104,579	(5,154)	1,436	-
	Qinton	Tainan, Taiwan	Sales maintenance and repair of cars and parts	67,459	67,459	6,746	100.00	81,238	6,403	6,163	-
	Haitec	Taipei, Taiwan	Product design	2,007,456	2,007,456	200,000	40.00	6,826	(811,431)	22,568	-
	Hui-Lian	Changhua, Taiwan	Sale, maintenance and repair of cars and parts	74,366	74,366	6,116	20.34	58,578	33,464	6,221	-
DXMEDIA	Taipei, Taiwan	Publication	10,000	10,000	400	20.00	1,581	(597)	(119)	-	
Luxgen	Miaoli, Taiwan	Sales and producing of cars and related parts	7,540,000	7,540,000	280,000	100.00	202,675	(147,463)	(130,966)	-	
Yulon TOBE	New Taipei City, Taiwan	Sale, maintenance and repair of cars and parts	500,000	500,000	30,000	100.00	28,080	754	832	-	
Yulon Management	New Taipei City, Taiwan	Investment advisor and temporary labor services	32,991	32,991	3,299	32.99	25,360	3,933	1,297	-	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
TAC	Yulon Energy	New Taipei City, Taiwan	Wholesale and retail sale of batteries	\$ 300,000	\$ 300,000	30,000	100.00	\$ (23,216)	\$ (85,171)	\$ (82,198)	-
	Yu Ping	New Taipei City, Taiwan	Investments	-	-	-	-	-	(126)	20,868	-
	Yu Yuen	Taipei, Taiwan	Construction industry	3,034,485	-	122,100	100.00	4,825,021	45,020	10,097	-
	Car-plus Corporation	Taipei, Taiwan	Car lease and trade	757,288	757,288	51,492	68.57	1,250,445	414,905	-	-
	SCC	Taipei, Taiwan	Installment financing services for cars and trucks	419,808	419,808	98,969	100.00	2,187,014	393,529	-	-
	TAC Global	Samoa	Shareholding company	1,564,612	1,564,612	50,537	100.00	1,852,349	8,681	-	-
	Tokio Marine Nawa Insurance	Taipei, Taiwan	Property insurance	58,070	58,070	5,807	1.94	140,922	806,070	-	-
	Empower	Taichung, Taiwan	Retail of cars and related parts	48,843	48,843	7,290	27.00	87,054	19,731	-	-
	Sin Jiang	Taipei, Taiwan	Sale and brokerage of secondhand vehicles	181,731	181,731	17,128	40.00	192,679	28,819	-	-
Yu Rich	Taipei, Taiwan	Installment loans of consumer goods and wholesale of cars and parts	500,001	-	45,455	82.12	495,926	(5,154)	-	-	
SCC	Shinshin Samoa	Samoa	Shareholding company	389,077	389,077	12,000	100.00	373,949	10,749	-	-
Car-plus Corporation	Diamond Leasing	Taipei, Taiwan	Car lease and trade	85,000	85,000	8,500	100.00	82,231	7,460	-	-
	Car-Plus Samoa	Samoa	Shareholding company	378,187	378,187	12,000	100.00	527,599	12,663	-	-
	Sin Jiang	Taipei, Taiwan	Sale and brokerage of secondhand vehicles	90,811	90,811	8,559	19.99	96,282	28,819	-	-
Da-Wei	Taipei, Taiwan	brokerage of electric vehicles	10,000	-	1,000	100.00	9,982	(18)	-	-	
Diamond Leasing	H. K. Manpower	Taipei, Taiwan	Temporary labor services	10,000	10,000	1,000	100.00	14,977	698	-	-
Sin Jiang	Sinjang International Investment (Samoa) Co., Ltd.	Samoa	Shareholding company	42,790	24,243	1,320	71.34	31,867	(1,024)	-	-
Car-Plus Samoa	Car-Plus China	Samoa	Shareholding company	193,500	193,004	6,000	60.00	341,106	13,732	-	-
	Car-Plus Shanghai	Samoa	Shareholding company	193,500	185,183	6,000	60.00	186,494	7,373	-	-
TAC Global	Car-Plus China	Samoa	Shareholding company	128,647	128,647	4,000	40.00	227,404	13,732	-	-
	Car-Plus Shanghai	Samoa	Shareholding company	123,455	123,455	4,000	40.00	124,329	7,373	-	-
	Yu Rong International	Samoa	Shareholding company	1,296,290	1,296,290	42,000	100.00	1,487,812	957	-	-
	Sinjang International Investment (Samoa) Co., Ltd.	Samoa	Shareholding company	16,220	16,220	540	28.66	12,802	(1,024)	-	-
Tai Yuen Venture Capital	Haitec	New Taipei City, Taiwan	Product design	112,418	112,418	11,200	2.24	110,178	(811,431)	-	-
Yu Pong	Yu Yuen	Taipei, Taiwan	Construction	-	89,058	-	-	-	45,020	-	-
	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	42,080	42,080	1,135	0.08	29,741	3,189,100	-	0
Yue Sheng	Y-Teks	Taoyuan, Taiwan	Manufacturing and furnishing, cars and the import and export of, and serving as sales agent for, car parts	25,510	18,430	212	11.99	122,758	253,523	-	-
Yung Hong	Yu Yuen	Taipei, Taiwan	Construction	-	745,292	-	-	-	45,020	-	-
	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	253,834	253,834	9,994	0.72	261,845	3,189,100	-	-
Yu Ching	Tokio Marine Nawa Insurance	Taipei, Taiwan	Property insurance	55,467	55,467	3,500	1.17	84,936	806,070	-	-
	Yulon Nissan	Miaoli, Taiwan	Sales of cars	336,923	336,923	3,500	1.17	251,467	4,630,615	-	-
	Yu Yuen	Taipei, Taiwan	Construction	-	358,514	-	-	-	45,020	-	-
	Singan	Taipei, Taiwan	Wholesale and retail of information software	19,914	19,914	2,742	9.56	36,616	58,641	-	-
	Chinh-Ling	Taipei, Taiwan	Product design	36,098	36,098	5,000	100.00	18,116	(283)	-	-
	Yulon Management	New Taipei City, Taiwan	Investment advisor and temporary labor services	9	9	1	0.01	9	3,933	-	-
Yueki	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	408	408	27	-	747	3,189,100	-	-
	Uni-calsonic	Miaoli, Taiwan	Production and sales of various kinds of radiators, heat transfer apparatus, geysers, water tank and car parts	17,328	17,328	800	4.10	17,328	25,542	-	-
	Yue Ki Samoa	Samoa	Investments	123,058	123,058	4,126	100.00	564,975	29,885	-	-
Yue Ki HK	Hong Kong	Investments	330,094	120,016	-	100.00	165,048	(37,146)	-	-	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Yu Chang	Tian Wang	Kaohsiung, Taiwan	Secondhand cars and car related products	\$ 17,000	\$ 17,000	1,700	100.00	\$ 33,843	\$ 12,313	\$ -	-
	Yu Chang China	Samoa	Investments	47,422	47,422	1,564	100.00	961	(13,386)	-	-
	Luxgen Kaohsiung	Kaohsiung, Taiwan	Repair, wholesale and retail of cars and parts	26,450	26,450	1,420	20.00	9,587	12,716	-	-
Yushin	Yu Pool	Miaoli, Taiwan	Supply of and providing services on information software and retail trade of spare parts of vehicles	7,000	7,000	1,000	100.00	33,897	1,740	-	-
	Luxgen Taoyuan	Taoyuan, Taiwan	Sales, maintenance and repair of cars and related products	12,250	12,250	2,100	20.00	20,943	21,565	-	-
	Yu Shin Investment	Samoa	Investments	46,331	46,331	-	100.00	(11,297)	(36,412)	-	-
Singan	Singgual Travel	New Taipei City, Taiwan	Sales of car parts	130,591	130,591	13,000	100.00	178,982	(3,212)	-	-
	Hsiang Shou	New Taipei City, Taiwan	Towing	128,400	128,400	10,000	100.00	203,591	66,858	-	-
	Hong Shou Culture	New Taipei City, Taiwan	Publication	64,100	64,100	5,000	100.00	33,820	(17,064)	-	-
Empower	Chunmin	Taichung, Taiwan	Comprehensive retail of car parts	8,000	8,000	800	100.00	10,834	94	-	-
	Hong Yen	Samoa	Investments	47,082	47,082	45,995	100.00	95,920	(29,306)	-	-
	Luxgen Taichung	Taichung, Taiwan	Repair, wholesale and retail of cars and parts	27,446	27,446	2,120	20.00	10,680	3,511	-	-
	Yu Ming Insurance	Taichung, Taiwan	Property insurance	3,000	3,000	300	100.00	3,661	128	-	-
Sin Chi	Yulon Nissan	Miaoli, Taiwan	Sales of cars	311,853	311,853	3,050	1.02	219,136	4,630,615	-	-
	Yu Chia	Taipei, Taiwan	Sales, maintenance and repair of heavy vehicles and related products	120,000	50,100	12,000	100.00	38,680	(90,873)	-	-
	Chan Chen	Taipei, Taiwan	Management consulting, leases of real estate and general advertising	10,000	10,000	1,000	100.00	13,987	2,715	-	-
Yu Sing	Yu-Jan	Taipei, Taiwan	Sales and arrangement of cars and related products	5,000	5,000	500	100.00	11,308	1,185	-	-
	Ding Long	Taipei, Taiwan	Sales, maintenance and repair of cars and parts	37,790	37,790	3,779	44.99	41,394	7,234	-	-
	Luxgen Taipei	New Taipei City, Taiwan	Sales, maintenance and repair of cars and related products	22,050	22,050	239	1.29	-	(56,030)	-	-
Y-Teks	Yu-Hsin Intl	B.V.I.	Investments	65,854	65,854	2,208	66.67	1,046,285	341,963	-	-
	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	435	435	28	-	741	3,189,100	-	-
Yu-Hsin Intl	Yu-Hsin Intl HK	Hong Kong	Investments	311,194	311,194	10,274	100.00	688,859	72,497	-	-
Union & NKH Auto Parts	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	640	640	64	-	1,677	3,189,100	-	-
	Uni Investment	B.V.I.	Investments	289,287	289,287	8,403	100.00	2,093,206	252,470	-	-
Luxgen	Luxgen Taipei	New Taipei City, Taiwan	Repair, wholesale and retail of cars and parts	157,625	157,625	13,635	73.70	25,435	(56,030)	-	-
	Luxgen Taoyuan	Taoyuan, Taiwan	Repair, wholesale and retail of cars and parts	64,883	64,883	6,299	59.99	61,095	21,565	-	-
	Luxgen Taichung	Taichung, Taiwan	Repair, wholesale and retail of cars and parts	71,624	71,624	6,359	59.99	32,147	3,511	-	-
	Luxgen Tainan	Tainan, Taiwan	Repair, wholesale and retail of cars and parts	182,388	101,397	8,399	79.99	79,178	(7,344)	-	-
	Luxgen Kaohsiung	Kaohsiung, Taiwan	Repair, wholesale and retail of cars and parts	58,344	58,344	4,259	59.99	28,754	12,716	-	-
	Luxgen Overseas Holdings	Singapore	Investments	1,300,595	1,300,595	63,587	100.00	151,525	4,347	-	-
	Singan	New Taipei City, Taiwan	Wholesale and retail of information software	81,191	81,191	5,670	19.78	75,713	58,641	-	-
Luxgen Overseas Hondings Private Limited	Luxgen Limited Liability	Russia	Sale, maintenance and repair of cars and parts	1,148,111	1,126,980	-	99.99	22,658	(9,697)	-	-
Yu Yuen	China Motor	Taoyuan, Taiwan	Manufacturing and sales of cars	1,690	1,690	32	-	844	3,189,100	-	-
Yulon Energy	Power Engineering	New Taipei City, Taiwan	Construction project contracting	2,000	2,000	139	100.00	1,207	(188)	-	-
Yulon Overseas	Yulon Philippine	Cayman	Investments	1,152,446	1,152,446	32,791	100.00	(240,613)	108,009	-	-
	Yulon China	B.V.I.	Investments	9,693,873	9,544,839	290,564	100.00	1,136,195	(4,319,454)	-	-
Yulon Philippine	UMPI & SCIC	Philippine	Manufacturing of cars and factory lease	941,507	941,507	-	100.00	(292,539)	1,784	-	-
	NPI	Philippine	Sale, maintenance and repair of cars and parts	75,858	75,858	12	24.50	16,483	105,830	-	-

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Yulon China	Qing Yi	Samoa	Investments	\$ 511,163	\$ 511,163	15,850	100.00	\$ 401,413	\$ (113,898)	\$ -	-
	Wen Yang	Samoa	Investments	519,225	519,225	16,100	100.00	572,498	11,663	-	-
	Tai Xin	Samoa	Investments	781,134	632,100	19,600	100.00	754,557	(96,263)	-	-
	Yulon China (Hong Kong) Investment Limited	Hong Kong	Investments	6,807,975	6,807,975	-	100.00	1,498,697	(2,954,271)	-	-
	Yulon China Holding	Cayman	Investments	854,625	854,625	22,500	100.00	(2,219,263)	(1,120,249)	-	-
	Feng Hua	Hong Kong	Investments	90,300	90,300	-	40.00	81,774	(6,467)	-	-
Yulon China Holding	Yulon Motor Investment	Hong Kong	Investments	854,625	854,625	-	100.00	(2,219,149)	(1,120,128)	-	-
Yu Ping	Yu Yuen	Taipei, Taiwan	Construction	-	-	-	-	-	45,020	-	-

(Concluded)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outward	Inward							
Xiamen Young Chang	Cars, electronics, textiles and related business investment consulting services; advanced technology, products and equipment import consulting	\$ 71,936	b.	\$ 59,985	\$ -	\$ -	\$ 59,985	\$ 10,520	100.00	\$ 10,520	\$ 568,052	\$ -	2, b.
Ke Yu	Computer software maintenance and computer system integration	853,548	b.	628,875	149,034	-	777,909	(96,106)	100.00	(96,106)	752,034	-	2, b.
Tai Feng	Computer software maintenance and computer system integration	530,978	b.	478,913	-	-	478,913	7,901	100.00	7,901	515,394	-	2, b.
Qing Tai	Computer software maintenance and computer system integration	559,111	b.	495,038	-	-	495,038	(114,930)	100.00	(114,930)	382,308	-	2, b.
Dong Feng Yulon Motors	Manufacturing of key car components, electric cars and related parts	12,784,706	b.	6,738,125	-	-	6,738,125	(5,918,311)	50.00	(2,959,156)	1,494,072	-	2, a.
Su Zhou Chen Long	Sale, maintenance and repair of cars and parts	205,292	b.	90,300	-	-	90,300	(6,467)	40.00	(2,587)	204,434	-	2, b.
Yulon Motor Investment	Investment, shareholding and related business	776,721	b.	854,625	-	-	854,625	(1,121,174)	100.00	(1,121,174)	(2,721,479)	-	2, b.
Hang Zhou Haitec Company	Product design	143,511	b.	16,125	-	-	16,125	(11,428)	10.00	(1,143)	667,478	-	2, a.
Yulon Motor Finance	Car purchases and loans to car dealers for car purchases	2,324,492	a.	1,306,110	-	-	1,306,110	(83,999)	77.10	(64,767)	2,244,121	-	2, a.
Hang Zhou Jian Tai	Tailpipe, catalyzer assembling, chassises, connection arms, crossrails of engines and other stamping and welding parts	148,733	b.	3,225	-	-	3,225	-	-	-	-	-	-
Hang Zhou Chun Yu	Tire monitors, blue tooth communication device, keyless entry system	63,534	b.	3,225	-	-	3,225	-	-	-	-	-	-
Hang Zhou Xian Bo	Manufacturing and design of fixtures and jigs of vehicles, mechanical and electrical products; inner and external fittings and furnishing	79,900	b.	3,225	-	-	3,225	-	-	-	-	-	-
Hang Zhou Yong Ren	Manufacturing of machinery, car accessory and seat parts	116,169	b.	2,419	-	-	2,419	8,190	2.59	-	2,419	-	-
Hang Zhou Yo Zhan	Manufacturing of car models and related parts, fixtures and jigs, stamping, and related metal products	368,661	b.	3,225	-	-	3,225	(354)	2.10	-	3,225	-	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outward	Inward							
Hui Zhou Deng Feng Yi Jing	Manufacturing of car parts	\$ 697,348	b.	\$ -	\$ -	\$ -	\$ -	\$ 87,079	17.00	\$ 14,803	\$ 548,615	\$ -	2, c.
Hangchow Yue Wan	Manufacturing of car parts	347,133	b.	-	-	-	-	(37,084)	51.00	(18,913)	180,519	-	2, c.
Hangchow Y-Teks	Manufacturing and sales of car interior furnishing and related business	277,590	b.	-	-	-	-	41,127	27.00	11,104	381,629	-	2, c.
Changzhou Y-TEKS	Manufacturing and sales of car interior furnishing and related business	54,134	b.	-	-	-	-	16,016	14.00	2,242	82,077	-	2, c.
Liu Zhou Yu Xin Fang Sheng	Manufacturing and sales of car interior furnishing and related business	161,250	b.	-	-	-	-	197,625	5.00	9,881	176,435	-	2, c.
Guang Zhou He Xi	Manufacturing and sales of car interior furnishing and related business	212,850	b.	-	-	-	-	1,229,585	6.00	73,775	876,609	-	2, c.
Fuzhou Lianghong	Manufacturing of car seats	483,328	b.	-	-	-	-	226,880	17.00	38,570	616,589	-	2, c.
Hangchow Liangrun	Manufacturing of car seats	453,922	b.	-	-	-	-	(17,704)	25.00	(4,426)	252,248	-	2, c.
Guang Zhou Ri Zheng Spring	Manufacturing of vibration damper springs	862,688	b.	-	-	-	-	68,287	10.00	6,829	1,197,385	-	2, c.
Shang Hai Jing-Huei	Sales of car parts	52,436	a.	-	-	-	-	(22,881)	61.00	(13,957)	68,100	-	2, c.
Yu-Jie	Construction industry	1,394,695	a.	-	1,407,587	-	1,394,695	120	100.00	120	1,394,810	-	2, c.
Car-Plus (Suzhou)	Lease of cars and related services	322,500	b.	-	-	-	-	13,729	39.20	5,381	567,298	-	2, a.
Car-Plus Leasing (Shanghai)	Lease of cars and related services	322,500	b.	-	-	-	-	7,373	39.20	2,890	310,801	-	2, a.
TAC Leasing (Suzhou)	Equipments and cars leasing business	967,500	b.	-	-	-	-	(9,792)	45.75	(4,480)	1,157,515	-	2, b.
TAC Finance Company	Equipments and cars leasing business	967,500	b.	-	-	-	-	26,873	56.60	15,210	506,336	-	2, b.
Zhe Jiang Cheng Yi Company	Sale and brokerage of secondhand vehicles	92,980	b.	-	-	-	-	(6,745)	43.97	(2,966)	49,474	-	2, c.
Hangzhou Cheng-Yi-Jun	Secondhand vehicle authenticate and evaluation service	2,324	b.	-	-	-	-	(100)	38.01	(38)	2,229	-	2, c.
Su Zhou Yu Guo	Sales of cars	9,298	b.	-	-	-	-	(2,364)	28.42	(672)	1,907	-	2, c.
Shanghai Yu Guo	Sales of cars	9,298	b.	-	-	-	-	1,049	10.98	115	3,090	-	2, c.
Dongguan Yu Guo	Sales of cars	9,298	b.	-	-	-	-	(5,009)	10.98	(550)	1,351	-	2, c.
Xiamen Yu Guo	Sales of cars	9,298	b.	-	-	-	-	580	10.98	64	2,956	-	2, c.
Fu Jian Yu Xin	Sales of cars	95,254	b.	-	-	-	-	(75,305)	90.20	(67,925)	(99,849)	-	2, c.
Ning Bo Yu Cheng	Sales of cars	95,254	b.	-	-	-	-	(33,926)	82.85	(28,107)	(12,388)	-	2, c.
Shanghai Yuming	Sales of cars	182,909	b.	-	-	-	-	(54,095)	66.99	(36,236)	115,313	-	2, c.
Ka Shing Yu Da	Sales of cars	58,308	b.	-	-	-	-	(12,964)	66.99	(8,684)	63,226	-	2, c.

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outward	Inward							
Dong Yu Tech. Company	Car manufacture and furnishing; manufacture, installation and sale of car parts	\$ 72,885	b.	\$ -	\$ -	\$ -	\$ -	\$ (10,301)	44.74	\$ (4,609)	\$ 55,820	\$ -	2, c.
Dong Feng Yulon Sales Company	Sales of cars and car parts	238,134	b.	-	-	-	-	(2,273,366)	50.00	(1,136,683)	(2,898,639)	-	2, a.
Sheng Qing	Investments	2,118,695	b.	-	-	-	-	(89,875)	100.00	(89,875)	1,328,826	-	2, b.
Mei De	Computer software maintenance and computer system integration	378,632	b.	-	-	-	-	734	100.00	734	375,722	-	2, b.
Shi Cheng	Computer software maintenance and computer system integration	344,944	b.	-	-	-	-	(199,860)	100.00	(199,860)	95,220	-	2, b.
Jin Ce	Computer software maintenance and computer system integration	93,682	b.	-	-	-	-	(12,041)	100.00	(12,041)	76,546	-	2, b.
Yi Ding	Computer software maintenance and computer system integration	262,900	b.	-	-	-	-	(121)	100.00	(121)	244,499	-	2, b.
Dong Tai	Investments	351,470	b.	-	-	-	-	(213,304)	100.00	(213,304)	77,792	-	2, b.
Gao Te	Investments	276,235	b.	-	-	-	-	(836)	100.00	(836)	249,678	-	2, b.
Shen Jun Yu Peng	Sales of cars	57,152	b.	-	-	-	-	13,357	65.00	8,682	(10,933)	-	2, b.
Su Zhou Feng Shen	Sales of cars	228,609	b.	-	-	-	-	137,986	40.00	55,194	294,694	-	2, b.
Guang Zhou Yuan Du	Sales of cars	166,693	b.	-	-	-	-	12,964	61.00	7,908	119,972	-	2, b.
Zhu Hai Fu Te En	Sales of cars	23,813	b.	-	-	-	-	36,292	100.00	36,292	120,553	-	2, b.
Nanjing Hanhong	Sales of cars	334,591	b.	-	-	-	-	(66,593)	100.00	(66,593)	187,177	-	2, b.
Wuhan Yu Hsin	Sales of cars	133,355	b.	-	-	-	-	14,353	100.00	14,353	(68,726)	-	2, b.
HangZhou Yu Zhong	Trading	47,626	b.	-	-	-	-	92	100.00	92	78,535	-	2, b.
Shanghai Yuexing	Sales of cars	124,793	b.	-	-	-	-	(16,258)	100.00	(16,258)	(61,381)	-	2, b.
Jiangmen Junxing	Sales of cars	96,216	b.	-	-	-	-	10,811	60.00	6,487	36,416	-	2, b.
Jiangmen Yuli	Sales of cars	48,590	b.	-	-	-	-	5,593	60.00	3,356	56,234	-	2, b.
He-Shan Li-Sheng	Sales of cars	2,915	b.	-	-	-	-	(87)	60.00	(52)	2,706	-	2, b.
Guang Zhou Yuan Zhi	Sales of cars	47,626	b.	-	-	-	-	(19,033)	61.00	(11,610)	6,047	-	2, b.
Qingdao Yuanhuang	Sales of cars	142,880	b.	-	-	-	-	(28,051)	51.00	(14,306)	(90,599)	-	2, b.
Hang Zhou Hua Zhi	Sales of cars	95,254	b.	-	-	-	-	(43,784)	80.00	(35,028)	(63,182)	-	2, b.
Chang Sha Yu Lu	Sales of cars	95,254	b.	-	-	-	-	(9,480)	100.00	(9,480)	72,334	-	2, b.
Hang Zhou Tang Yu	Investments	47,626	b.	-	-	-	-	375	100.00	375	50,368	-	2, b.
Hang Zhou Chien Yu	Investments	47,626	b.	-	-	-	-	(83)	100.00	(83)	42,190	-	2, b.

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outward	Inward							
Zhuhai Yuhsin	Sales of cars	\$ 23,813	b.	\$ -	\$ -	\$ -	\$ -	\$ 719	100.00	\$ 719	\$ (10,316)	\$ -	2, b
Shenzhen Yu Zhi	Sales of cars	47,626	b.	-	-	-	-	7,925	100.00	7,925	36,137	-	2, b.
Xiao Gan Yu Feng	Sales of cars	76,203	b.	-	-	-	-	9,942	100.00	9,942	47,080	-	2, b.
Su Zhou Feng Shun	Sales of cars	119,742	b.	-	-	-	-	67,943	40.00	27,177	240,297	-	2, b.
Suzhou Yueshun	Sales of cars	47,626	b.	-	-	-	-	(8,085)	40.00	(3,234)	51,883	-	2, b
Su Chou Cheng Pin	Sales of cars	192,434	b.	-	-	-	-	6,263	40.00	2,505	185,750	-	2, b.
Wu Jiang Lian Cheng	Sales of cars	47,626	b.	-	-	-	-	30,991	40.00	12,396	101,148	-	2, b.
Su Zhou Cheng Li	Sales of cars	71,921	b.	-	-	-	-	(6,025)	40.00	(2,410)	40,223	-	2, b.
Hang Zhou Hsiao Yu	Investments	47,626	b.	-	-	-	-	(44)	99.00	(43)	41,961	-	2, b.
Nan Jing Yu Shang	Sales of cars	38,101	b.	-	-	-	-	(17,381)	100.00	(17,381)	(42,929)	-	2, b.
Hang Zhou Hua You	Sales of cars	38,101	b.	-	-	-	-	(24,572)	80.00	(19,658)	(94,546)	-	2, b.
Su Zhou Cheng Pang	Sales of cars	47,626	b.	-	-	-	-	7,852	40.00	3,141	39,395	-	2, b
Nan Jing Yu Hua	Sales of cars	142,880	b.	-	-	-	-	(10)	100.00	(10)	139,451	-	2, b
Su Zhou Cheng Guo	Sales of cars	48,590	b.	-	-	-	-	(13,357)	40.00	(5,343)	32,678	-	2, b
Su Zhou Cheng Hung	Sales of cars	48,590	b.	-	-	-	-	(1,020)	40.00	(408)	44,147	-	2, b
Tai Chang Cheng Mau	Sales of cars	48,590	b.	-	-	-	-	10,972	40.00	4,389	55,606	-	2, b
An Hui Min Tung	Sales of cars	48,590	b.	-	-	-	-	(46,209)	100.00	(46,209)	3,422	-	2, b.
An Ching Tsai Tung	Sales of cars	24,295	b.	-	-	-	-	(68,070)	100.00	(68,070)	(63,789)	-	2, b
An Ching Ling Tung	Sales of cars	19,436	b.	-	-	-	-	(67,433)	100.00	(67,433)	(47,210)	-	2, b
Tung Ling Kuo Tung	Sales of cars	24,295	b.	-	-	-	-	7,959	100.00	7,959	(1,055)	-	2, b
Ho Fei Chun Hui	Sales of cars	2,430	b.	-	-	-	-	(7,891)	100.00	(7,891)	(5,500)	-	2, b
Zi Bo Yu An	Sales of cars	24,295	b.	-	-	-	-	(14,509)	100.00	(14,509)	1,134	-	2, b

Accumulated Investment in Mainland China as of December 31, 2016	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Yulon Motor Company Ltd.	\$12,227,144	\$16,021,022	\$47,437,692

Note 1: Method of investment have following type:

- a. Direct investment in Mainland China.
- b. Indirect investment in the Company of Mainland China through a third place.
- c. Other

(Continued)

Note 2: The amounts of investment gain (loss) was recognized on following bases:

- a. Based on the financial statements audited by a ROC CPA firm cooperating with an international CPA firm.
- b. Based on the financial statements audited by the auditor of parent company.
- c. Other.

Note 3: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

(Concluded)

YULON MOTOR COMPANY LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Exhibit</u>
Major Accounting Items in Assets, Liabilities and Equity	
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Major Accounting Items in Profit or Loss	
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YULON MOTOR COMPANY LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Item	Foreign Currencies	Exchange Rate	Carrying Amount
Cash on hand			
NTD	\$ 680	1.000	<u>\$ 680</u>
Bank deposits			
Demand deposits			
NTD	6,084,796	1.000	6,084,796
USD	4,178	32.250	134,759
EUR	1,107	33.900	37,527
JPY	77,982	0.276	21,492
RMB	82	4.617	<u>379</u>
Checking accounts	30,679	1.000	<u>30,680</u>
Total bank deposits			<u>6,309,633</u>
Cash equivalents			
Time deposits with original maturities within 3 months			
NTD	300,000	1.000	<u>300,000</u>
Total cash and cash equivalents			<u>\$ 6,610,313</u>

YULON MOTOR COMPANY LTD.**STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods	\$ 2,270,128	\$ 2,407,872	-
Work in progress	102,949	104,044	-
Raw materials	<u>1,614,587</u>	<u>2,031,352</u>	-
	<u>\$ 3,987,664</u>	<u>\$ 4,543,268</u>	

YULON MOTOR COMPANY LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2015		Additions		Decrease		Reclassification		Increase (Decrease) in Using the Equity Method Amount (Note 1)	Balance, December 31, 2015			Market Value or Net Assets Value	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	%	Amount		
Listed stocks														
Yulon Nissan Company	143,500	\$ 10,414,573	-	\$ -	-	\$ -	-	\$ -	\$ (163,690)	143,500	47.83	\$ 10,250,883	\$ 28,197,750	Note 2
China Motor Company	111,480	4,404,251	-	-	-	-	-	-	45,045	111,480	8.05	4,359,206	2,920,788	Note 2
TAC Corporation	125,657	3,180,083	-	-	-	-	-	-	(15,933)	125,657	45.75	3,164,150	9,700,687	Note 2
		<u>17,998,907</u>		<u>-</u>		<u>-</u>		<u>-</u>	<u>(224,668)</u>			<u>17,774,239</u>	<u>40,819,225</u>	
Stocks with no quoted market prices														
Tai-Yuen Textiles Company	170,685	7,338,667	-	-	-	-	-	-	(12,602)	170,685	20.85	7,326,065	10,272,939	Note 3
Yu ki Company	9,847	419,105	-	-	-	-	-	-	(43,698)	9,846	50.58	375,407	401,861	Note 3
Yu Sheng Company	14,681	227,319	-	-	-	-	-	-	1,282	14,680	50.97	228,601	230,570	Note 3
China Cast Iron Pipe Company	25	50,962	-	-	-	-	-	-	4,033	25	77.66	54,995	54,994	Note 3
Union & NKH Auto Parts Company	21,729	624,337	-	-	-	-	-	-	(9,212)	21,729	25.01	615,125	617,765	Note 3
Uni-calsonic Company	3,448	79,734	-	-	-	-	-	-	(2,499)	3,448	17.68	77,235	77,419	Note 3
Yu Chang Company	13,999	91,127	-	-	-	-	-	-	(10,550)	13,999	64.99	80,577	83,626	Note 3
China Ogihara Company	23,388	439,776	2,082	-	-	-	-	-	46,691	25,470	37.76	486,467	512,357	Note 3
Yuan Lon Company	7,999	114,051	-	-	-	-	-	-	(4,863)	7,999	20.00	109,188	111,149	Note 3
Yu Ching Company	175,000	1,852,694	14,487	-	116,796	1,356,069	-	73,462	120,771	72,691	60.00	690,858	1,024,027	Note 3
Yu Pong Company	65,721	823,780	19,963	672,719	60,200	670,600	-	73,462	27,515	25,484	100.00	926,876	924,074	Note 3
Yung Hong Company	144,622	1,438,131	-	-	67,000	670,600	-	73,462	(28,880)	77,622	100.00	812,713	985,263	Note 3
Yushin Company	15,999	184,516	-	-	-	-	-	-	(906)	15,999	80.00	183,610	183,588	Note 3
China Engine Company	32,000	186,401	-	-	-	-	-	-	(1,162)	32,000	18.95	185,239	190,889	Note 3
Cheng Long Company	8,127	153,921	488	-	-	-	-	-	30,867	8,614	27.00	184,788	191,944	Note 3
Tai Yuen Venture Capital Company	26,760	113,874	-	-	-	-	-	-	(3,910)	26,760	49.50	109,964	109,964	Note 3
Chi Ho Company	360	6,814	-	-	-	-	-	-	1,230	360	20.00	8,044	9,221	Note 3
Yu Tang Company	4,249	68,535	-	-	-	-	-	-	6,948	4,249	21.25	75,483	71,177	Note 3
ROC-Spicer Company	1,004	719,023	-	-	-	-	-	-	(98,737)	1,004	20.46	620,286	621,963	Note 3
Car-plus Corporation	2,595	61,385	-	-	-	-	-	-	1,708	2,595	3.46	63,093	63,093	Note 3
Singan Company	10,213	154,302	-	-	-	-	-	-	(18,596)	10,213	35.62	135,706	136,373	Note 3
Empower Company	4,899	58,068	500	-	-	-	-	-	1,546	5,399	20.00	59,614	64,484	Note 3
Chan Yun Company	8,332	22,435	-	-	-	-	-	-	(574)	8,332	43.85	21,861	21,822	Note 3
Sin Jiang Enterprises	8,568	94,484	-	-	-	-	-	-	1,911	8,568	20.01	96,395	96,395	Note 3
Sin Chi Company	87,000	1,040,315	-	-	-	-	-	-	(29,823)	87,000	100.00	1,010,492	1,035,235	Note 3
Yu Sing Company	32,519	3,694	-	-	-	-	-	-	10,186	32,519	90.33	13,880	54,924	Note 3
Y-Teks Company	549	360,380	54	-	-	-	-	-	(20,073)	603	34.00	340,307	348,106	Note 3
Yulon Overseas Company	320,990	5,061,040	4,774	149,034	-	-	-	-	(4,305,485)	325,764	100.00	904,589	921,288	Note 3
Tokio Marine Nawa Insurance Company	52,010	1,203,791	-	-	-	-	-	-	68,273	52,010	17.39	1,272,064	1,261,847	Note 3
Haitec Company	200,000	-	-	-	-	-	-	(51,660)	58,486	200,000	40.00	6,826	1,901,526	
Hui-Lian Company	6,116	60,031	-	-	-	-	-	-	(1,453)	6,116	20.34	58,578	59,561	Note 3
DXMEDIA Company	400	1,701	-	-	-	-	-	-	(119)	400	20.00	1,582	1,581	Note 3
Yulon TOBE Company	30,000	27,248	-	-	-	-	-	-	832	30,000	100.00	28,080	28,080	Note 3
Yulon Management Company	3,299	24,193	-	-	-	-	-	-	1,167	3,299	32.99	25,360	28,018	Note 3
Yulon Energy Company	30,000	58,981	-	-	-	-	-	23,216	(82,197)	30,000	100.00	-	-	Note 3
Yu Rich Company	9,900	103,203	-	-	-	-	-	-	1,376	9,900	17.88	104,579	107,370	Note 3
Qinton Company	6,746	80,875	-	-	-	-	-	-	364	6,746	100.00	81,239	77,668	Note 3
Luxgen Company	280,000	335,744	-	-	-	-	-	-	(133,069)	280,000	100.00	202,675	278,769	Note 3
Yulon Motor Finance Company	1,288,940	1,306,110	-	-	-	-	-	-	(161,608)	1,288,940	51.00	1,144,502	1,144,502	Note 3
Yu Yuen Company	-	-	122,100	5,078,072	-	-	-	(220,386)	(32,665)	122,100	100.00	4,825,021	5,021,394	Note 3
Yu Ping Company	-	-	50,599	2,023,950	50,599	2,044,818	-	-	20,868	-	-	-	-	Note 3
		<u>24,990,747</u>		<u>7,923,775</u>		<u>4,741,487</u>		<u>(28,444)</u>	<u>(4,596,627)</u>			<u>23,547,964</u>	<u>29,326,826</u>	
		<u>\$ 45,283,976</u>		<u>\$ 7,923,775</u>		<u>\$ 4,741,487</u>		<u>\$ (28,444)</u>	<u>\$ (4,821,295)</u>			<u>\$ 41,322,203</u>	<u>\$ 70,146,051</u>	

(Continued)

Investees	Balance, January 1, 2014		Additions		Decrease		Reclassification		Increase (Decrease) in Using the Equity Method Amount (Note 1)	Balance, December 31, 2014			Market Value or Net Assets Value	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	%	Amount		
Credit balance on the carrying value of investments accounted for using the equity method														
Yu Shin Company	30,000	\$ -	-	\$ -	-	\$ -	-	\$ (23,216)	\$ -	30,000	100.00	\$ (23,216)	\$ (20,967)	
Haitec Company	200,000	(51,660)	-	-	-	-	-	51,660	-	200,000	40.00	-	-	Note 3
		<u>\$ (51,660)</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 28,444</u>	<u>\$ -</u>			<u>\$ (23,216)</u>	<u>\$ (20,967)</u>	

Note 1: Including:

a. Share of profit or loss of subsidiaries and associates	\$ (178,709)
b. Adjustments to share of changes in capital surplus of subsidiaries and associates	14,421
c. Adjustments to share of changes in retain earnings of subsidiaries and associates	(86,627)
d. Share of other comprehensive income of subsidiaries and associates	(1,433,504)
e. Dividends received from subsidiaries and associates	(3,184,306)
f. Adjustments to unrealized gain from downstream transactions	47,430
	<u>\$ (4,821,295)</u>

Note 2: The unit price is calculated by closing price of the Taiwan Stock Exchange as of December 31, 2016.

Note 3: Calculated by the net equity of audited financial statements as of December 31, 2016.

(Concluded)

YULON MOTOR COMPANY LTD.**STATEMENT OF NOTES AND TRADE PAYABLES****DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars)**

Item	Notes Payable	Trade Payable	Total
Related parties			
Nissan Motor Co., Ltd.	\$ -	\$ 319,578	\$ 319,578
Dongfeng Yulon Motors	-	253,969	253,969
Union & NKH Auto Parts Company	-	246,270	246,270
Other (Note)	-	385,713	385,713
	<u>-</u>	<u>1,205,530</u>	<u>1,205,530</u>
Unrelated parties			
Other (Note)	-	2,112,501	2,112,501
	<u>-</u>	<u>2,112,501</u>	<u>2,112,501</u>
	<u>\$ -</u>	<u>\$ 3,318,031</u>	<u>\$ 3,318,031</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

YULON MOTOR COMPANY LTD.**STATEMENT OF NET OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Amount
Domestic car	57,865	\$ 30,362,364
Imported car	3,387	3,959,804
Parts for domestic sale	-	4,072,166
Parts for export	-	451,152
Rental income	-	414,453
Rendering of services	-	246,245
Maintenance and repair services	-	159,813
Other income	-	<u>510,053</u>
Total operating revenue		40,176,050
Less: Sales return and allowance		<u>178,026</u>
Net operating revenue		<u>\$ 39,998,024</u>

YULON MOTOR COMPANY LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw materials	
Balance, beginning of year	\$ 1,593,977
Add: Raw material purchased	28,307,994
Raw material manufactured	41,404
Less: Raw materials, end of year	(1,614,587)
Transferred to operating expenses	<u>(193,277)</u>
Total direct materials	28,135,511
Direct labor	695,047
Manufacturing expenses	<u>1,440,236</u>
Manufacturing cost	30,270,794
Add: Work in process, beginning of year	173,777
Work in process purchased	1,509,350
Less: Transferred to manufacturing	(1,462)
Work in process, end of year	<u>(102,949)</u>
Cost of finished goods	31,849,510
Add: Finished goods, beginning of year	2,253,144
Less: Finished goods, end of year	<u>(2,270,128)</u>
Cost of goods sold	31,832,526
Add: Commodity tax	5,119,090
Others	<u>54,657</u>
	<u>\$ 37,006,273</u>

YULON MOTOR COMPANY LTD.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Service expense	\$ 16,322	\$ 197,035	\$ 7,932	\$ 221,289
Payroll expense	35,394	229,882	132,259	397,535
Depreciation expense	6,989	131,765	6,969	145,723
Other tax expense	-	143,235	357	143,592
Others (Note)	<u>75,750</u>	<u>187,296</u>	<u>24,882</u>	<u>287,928</u>
	<u>\$ 135,490</u>	<u>\$ 889,213</u>	<u>\$ 172,399</u>	<u>\$ 1,196,067</u>

Note: The amount of each item in others does not exceed 5% of the account balance.