

**YULON NISSAN**

**YULON NISSAN MOTOR CO., LTD  
ANNUAL REPORT 2011**





INFINITI JX35



魅·力·無限



# | Contents |

|   |          |
|---|----------|
| <b>I. Letter to Shareholders .....</b>  | <b>1</b> |
| <b>II. Company Brief Introduction</b>   |          |
| 1. Establishing Date .....  | 3        |
| 2. Highlights of Development.....   | 3        |
| 3. 2011 Operation Results.....  | 4        |
| 4. Others.....  | 4        |
| <b>III. Company Management Report</b>   |          |
| 1. Organizational System .....  | 5        |
| (1) Organization Chart .....  | 5        |
| (2) Organizational Functions .....  | 6        |
| 2. Information of Directors, Supervisors, President, Senior Vice President, Vice President, General<br>Manager .....  | 7        |
| (1) Directors and Supervisors' Information.....   | 7        |
| (2) Information of President, Senior Vice President, Vice President and General Manager.....  | 19       |
| (3) Payment of Remuneration to Directors, Supervisors, President and Senior Vice President .....  | 25       |
| (4) Analysis and Description of the Percentage of Total Remuneration Amount Paid to Directors,<br>Supervisors, President and Senior Vice President against Net Profit after Tax .....   | 28       |
| 3. Operation of Corporate Governance .....  | 29       |
| (1) Operational Status of the Board of Directors .....  | 29       |
| (2) Operational Status of the Audit Committee .....   | 29       |
| (3) The Attendance of Directors and Supervisors and Operational Status of the Board of Directors ...  | 30       |
| (4) The Difference in Contrast to the Operation of Corporate Governance and the Listed / OTC<br>Company's Corporate Governance Codes of Practice and Reasons.....   | 30       |
| (5) Remuneration Committee .....  | 32       |
| (6) Society Responsibility .....  | 32       |
| (7) Status of Honest Operation Implemented by the Company and the Adopted Measures: .....   | 34       |
| (8) Inquiry Method of Governance Codes and Relevant Regulations Established by the Company ....   | 34       |
| (9) Internal Control System Execution Status .....  | 35       |
| 1. Statement of Internal Control System .....   | 35       |
| 2. Project Examination Report of Internal Accountant Control System.....  | 35       |
| (10) Company or Employees, who have been Penalized by Law, or Employee received Penalties<br>from Company for Violating the Internal Control Regulations, Major Shortcomings and Status<br>of Improvements in Fiscal Year 2011 and prior to the Publication Date of the Annual Report ... | 36       |

|   |    |
|---|----|
| (11) Major Resolutions made by the Shareholders Meeting and Board of Directors Meeting in Fiscal year 2011 and Prior to the Publication Date of Annual Report .....   | 36 |
| (12) Major Issues on Record or Written Statements made by any Director or Supervisor which Specified his/her Dissent to important Resolutions passed by the Board of Directors Meeting during Fiscal year 2011 and Prior to the Publication Date of the Annual Report ..... | 36 |
| (13) Resignation and Post Removal Status Related to the Financial Report during Fiscal Year 2011 and Prior to the Publication Date of the Annual Report.....  | 37 |
| 4. Information on Accountant Fees.....  | 37 |
| (1) Information on Accountant Fees .....  | 37 |
| (2) Amount of Audit and Non-Audit Fees and Content of Non-Audit Services .....  | 37 |
| (3) The Change of CPA Firms and the Audit Fees after change is Lower than that before change, the Reduced Amount, Proportion and Reason.....  | 37 |
| (4) The Audit Fees after Change is More than 15% Lower than that before Change, the Reduced Fee Amount, Proportion and Reason.....  | 37 |
| 5. Information on Change of CPAs .....  | 37 |
| (1) Information of the Previous CPA .....   | 37 |
| (2) Information of the Successive CPA.....  | 38 |
| (3) Previous CPAs' Reply of Article 10-5-1 and 10-2-2-3 of Guidelines Governing the Preparation of Financial Reports by Securities Issuers.....   | 38 |
| 6. Upon the Company's Chairman, General Manager or Financial / Accounting Manager Employed by the Verifying CPA Firm within one year, the Name, the Position, and Time Period in the CPA firm or its Affiliates should be Disclosed.....                                    | 38 |
| 7. Changes of Share and Share Collateralizing for Directors, Supervisors, Managers and Shareholders with over 10% of Shares Held During the 2011 Fiscal year and Prior to the Publication Date of the Annual Report .....   | 38 |
| (1) Changes of Share for Directors, Supervisors, Managers and Major Shareholders.....   | 39 |
| (2) Information of Share Changes.....   | 41 |
| (3) Information of Share Collateralizing.....   | 41 |
| 8. Information of Relationship Among Shareholders with Shareholding Percentage as the Top 10, who are Mutually related for the Regulations of Communiqué No.6 of the Financial Accounting Criteria .  | 41 |
| 9. The Number of Shares held by the Company, the Company's Directors, Supervisors, Managers and its Directly or Indirectly Controlled Business Toward the same Investment Businesses, as well as the Combined Calculated Shareholding Percentage.....                       | 43 |

#### **IV. Capital Raising Status**

|  |    |
|--|----|
| 1. Capital and Shares .....              | 44 |
| (1) Source of Share Capital .....        | 44 |
| (2) Structure of Shareholders .....      | 44 |
| (3) Status of Ownership Dispersion ..... | 45 |
| (4) List of Major Shareholders.....      | 45 |

|   |    |
|---|----|
| (5) Information about Market Price per share, Net Value, Earnings, Dividends and Related Information in Recent 2 Years.....   | 46 |
| (6) Dividend Policy and Execution Status .....  | 46 |
| (7) The Effect of the Distribution of Stock Dividend as Proposed by this Shareholders Meeting on Operation Performance and Earning per Share .....  | 47 |
| (8) Employee Bonus and Remuneration to the Directors and Supervisors. ....  | 47 |
| (9) This Company Repurchased Treasury Shares .....  | 47 |
| 2. Corporate Bonds issued .....   | 47 |
| 3. Preferred Stock issued .....   | 47 |
| 4. GDR (Global Depositary Receipt) Issued .....   | 47 |
| 5. Employee Stock Options Issued .....  | 47 |
| 6. New Shares Issued for Merger or Acquisition.....   | 47 |
| 7. Recorded up to the Previous one quarter of the Date of the Report is in Printing, Previously Issued or Privately Raised Marketable Securities that are still not Completed or the Completed and Planned Benefits but not shown over the Recent 3 years ..... | 47 |

## V. Highlights of Operations

|  |    |
|--|----|
| 1. Business Content .....  | 48 |
| (1) Business Content .....   | 48 |
| (2) Industry Summary .....   | 48 |
| (3) Technology, Research and Development (R&D).....  | 49 |
| (4) Long, Short term Business Development Plan .....   | 50 |
| 2. Market, Production & Sales Review.....  | 52 |
| (1) Market Analysis .....  | 52 |
| (2) The major usage and production processes of main products .....                              | 54 |
| (3) Supplies of main raw materials .....   | 54 |
| (4) List of Major Suppliers and Clients Over the Recent 2 Fiscal Years .....                     | 54 |
| (5) Production Volume over the recent 2 years.....   | 54 |
| (6) Sales Volume of Recent 2 Fiscal Years.....   | 54 |
| 3. Employee Data for the Recent Two Years and as of the Publication Date of Annual Report .....  | 55 |
| 4. Expenditures on Environmental Protection .....  | 55 |
| (1) Losses and Disposal caused by environmental pollution over the recent years. ....            | 55 |
| (2) Probable environmental expenditures .....  | 55 |
| 5. Labor-Capital Relation .....  | 55 |
| (1) Current Prominent Labor-Capital Agreements, Employee Benefits and Their Implementation ..... | 55 |
| (2) Labor Dispute.....   | 56 |
| 6. Prominent Contracts .....   | 56 |

**VI. FINANCIAL INFORMATION**

|  |     |
|--|-----|
| 1. Condensed Financial Statements for the recent 5 fiscal year .....   | 57  |
| (1) Condensed Balance Sheets .....   | 57  |
| (2) Condensed Income Statement .....   | 58  |
| (3) Name of Verifying Accountant and Auditor opinions.....   | 58  |
| 2. Financial Analysis in Recent 5 years.....   | 59  |
| 3. Supervisor Audit Report.....  | 61  |
| 4. Financial Statement in the Most Recent year .....   | 62  |
| 5. Mother/subordinates Combined Financial Report of the most Recent year Audited and Verified by Accountants .....   | 107 |
| 6. The company and its Affiliates have not encountered any Financial Difficulties over the Last years and as of the Publication Date of the Annual Report..... | 158 |

**VII. Review and Analysis of Financial Conditions and Operation Performance and Risk**

**Management**

|   |     |
|---|-----|
| 1. Financial Conditions.....  | 159 |
| 2. Operating Performance.....   | 160 |
| (1) Comparison and Analysis of Operating Performance .....  | 160 |
| (2) Gross Profit Analysis.....  | 161 |
| 3. Cash Flow Analysis .....   | 161 |
| (1) Flow Analysis for the Recent 2 Years .....  | 161 |
| (2) Cash Flow Analysis for the Next Year.....   | 161 |
| 4. Influence on Financial Condition caused by Prominent Capital Expenditures in Fiscal year 2011 ....   | 162 |
| (1) The Use and Capital Source of Prominent Capital Expenditure.....  | 162 |
| (2) Anticipated Benefits .....  | 162 |
| 5. Reinvestment Policy in Fiscal Year 2011, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan.....  | 162 |
| 6. Risk Management and Evaluation .....   | 163 |
| (1) Influence of the Interest Rate, Foreign Exchange Rate and Rate of Inflation on Company's Profit / Loss and Plans to encounter these Risks in the Future .....                                   | 163 |
| (2) Policy on High Risk, High Leverage Investment, Capital Loans to Others,Endorsement and Trade on Derivatives, Major Reason for Profit/Loss and plans to encounter these risks in the future..... | 163 |
| (3) Future Research/Development Plans and Estimated Investing R&D Expenditure .....   | 163 |
| (4) Important Changes of Local and Foreign Government Policies and Regulations and Their Influence Over Company's Financial Condition and Plans to Encounter these Risks in the Future .....        | 163 |
| (5) Changes on Technology and Industrial Change Influence toward the company's Finance Business and Coping Strategies .....   | 164 |



|  |     |
|--|-----|
| (6) Changes on Corporate Image that influence Company's Risk Management and Contingency Plans.....   | 165 |
| (7) Benefit Forecast and Possible Risks of Merge and Acquisition.....  | 165 |
| (8) Benefit Forecast and Possible Risks of Plant site Expansion.....   | 165 |
| (9) Risks of having Purchase or Sales Centralization.....  | 165 |
| (10) The Impact and the Risk of having a big Volume of Transferring or Changes of Shareholders Equity of the Directors, Supervisors or Shareholders who Hold more than 10% Shares, Except for the Releasing of Shares..... | 165 |
| (11) The Impact and Risk of Changing Operating Rights of the Company.....  | 165 |
| (12) Litigation/Non-Litigation Events.....   | 165 |
| (13) Other Important Risks and Actions to be Taken.....  | 165 |
| 7. Other Important Items.....  | 165 |

### **VIII. Special Noted Items**

|  |     |
|--|-----|
| 1. Affiliates Information.....   | 166 |
| (1) Affiliates Combined Operation Statement.....   | 166 |
| (2) Affiliates Combined Financial Report.....  | 168 |
| (3) Combined Report of Public Companies and their Affiliates.....  | 168 |
| 2. Fiscal Year 2011 and Prior to the Publication Date of the Annual Report, The Status of Issuing Private Placement Securities.....  | 168 |
| 3. Fiscal Year 2011 and Prior to the Publication Date of the Annual Report, Acquisition or Disposal of Yulon Shares by Subsidiaries.....   | 168 |
| 4. Other necessary Supplementary Notes.....  | 168 |
| 5. Any Events that had Significant Impacts on Shareholders' Right or Securities Prices as Stated in Section 2 Paragraph 2 in Article 36 of the Securities Transaction Law for Fiscal year 2011 and Prior to the Publication date of the Annual Report..... | 168 |

## I. Letter to Shareholders

Dear Shareholders,

Despite uncertainties caused by Japan's 311 earthquake and tsunami, Thailand floods, European debt crisis and the presidential election, the 2011 car market still grew by 15.5% from the previous year, powered by the wave of car replacement purchase occurring every ten years and the growing domestic demand economy. To meet all shareholders' expectations, all Yulon-Nissan employees will be committed to achieving our goals. We appreciate the care and support of our shareholders.

Taiwan's 2011 domestic economy grew at an annual rate of 4.04%. Due to the wave of the car replacement purchase every ten years, totally 368,000 cars were sold in the market last year for a growth rate of 15.5% as compared to 2010. Outperforming the overall market, our car sales volume was 44,283 with a growth rate of 16.3%. Without new car models introduced to the market in 2011, our flexible marketing campaigns still won customers. Meanwhile, our company promoted the elite sales representative project consistently and introduced the interactive experience platform comprehensively to boost channel power. As a result, our market share was maintained at 12%. The launch of the quintessential car model – NISSAN NEW MARCH in January 2012 is expected to bring another sales peak to Yulon-Nissan.

Faced with the increasingly intense competition in Taiwan car market, Yulon-Nissan makes constant innovation and improvement in terms of "product" and "service." In respect to NISSAN brand, NISSAN NEW MARCH was awarded Good Design Award and its power-saving performance was recognized as the first level in fuel consumption by the Bureau of Energy, Ministry of Economic Affairs. Besides, the horsepower and torque of 2013 model NISSAN GT-R will be comprehensively promoted with consideration on both engine efficiency and environmental protection. NISSAN's chief test driver, Toshio Suzuki, will come to Taiwan to demonstrate NISSAN GT-R's superior performance. While in INFINITI brand, the "Little Sun – Dreams Come True Program" was initiated to display the spirit of the brand – "Inspired Performance" with unlimited charisma. Meanwhile, limited INFINITI FX V-Spec championship edition was announced; LSUV was thus infused with the spirit of the sports car: challenging the limits and going beyond. What's more, we cooperate with Taichung City Government in officially initiating the Smart Electric Car Pilot Program with NISSAN LEAF – the first mass-produced pure electric car worldwide introduced domestically to serve as official vehicles, police patrol cars and automobiles dedicated to environmental inspection.

Having long been committed to environmental protection and innovative research, Yulon-Nissan organized NISSAN ZERO EMISSION MOVING GALLERY, where the public can test drive NISSAN LEAF and experience the zero pollution mobile vehicle. The activity aimed at promoting NISSAN's environmental image as a consistent effort. In terms of innovative research, All New JX, a transboundary seven-seater top flagship, was introduced through INFINITI to set a new benchmark for luxury SUV.

In mainland China, Dongfeng-Nissan's passenger car sales still grow steadily, benefiting Yulon-Nissan's profit return on investment. Cancellation of various preferential policies in China's auto market in 2011 didn't affect Dongfeng-Nissan's car sales. The total car sales volume in Chinese market was 18.5051 million, and the growth rate was 2.45% compared to 2010. In 2011, Dongfeng-Nissan sold 808 thousand cars, and the growth rate was 22.3% compared to 2010. The sales volume for the year of 2012 is expected to exceed one million, growing by 25% from 2011.

Auto parts manufactured by Yulon-Nissan are exported to countries like Thailand, Malaysia, Philippines, China, Japan, Egypt, Indonesia, Vietnam and Korea. Sales revenue for auto part export reached NT\$560 million in 2011. More items and countries for auto part export will be explored in 2012 to bring greater growth momentum to the Company sales revenue.

Benefiting from the dramatic growth of the domestic-demand economy and the profit on investment in China, Yulon-Nissan's operating income in 2011 was NT\$32.115 billion, with an annual growth rate of 17%. The pre-tax income was NT\$4,598 million and the after-tax earnings per share was NT\$12.77.

Looking ahead, with the support of all shareholders and the joint efforts of all employees, Yulon-Nissan will keep on boosting product sales and customer satisfaction, and be committed to promoting the Zero Emission Program for environmental protection. Yulon-Nissan has the confidence to create continued success and the greatest benefits for shareholders.

At last, on behalf of the entire colleagues of Yulon Nissan, I would like to thank all our shareholders for the support. I wish all of you health and success. Thank you!

Chairman Kenneth K. T. Yen

## II. Company Brief Introduction

### 1. Establishing Date:

October 22, 2003.

### 2. Highlights of Development:

- Oct. 2003: To enhance competitiveness, participate in international division of labor and carry out the professional management, Yulon Motor spun off R&D, sales and other businesses to set up this company in accordance with corporation merge and acquisition regulations. The capital was NT 3bn. Yulon Motor owned 100% of the shares of this company at the time of its establishment and has transferred 40% of the shares to Nissan Motor on Oct. 30 2003.
- May 2004: Established Philippines subsidiary - Yi-Sheng Co., Ltd.
- Jun. 2004: The company's stock processed a public issuance.
- Sep. 2004: A new selection of an upgraded large sedan, the NISSAN TEANA was superbly launched.
- Nov. 2004: NISSAN has been certified with ISO 9001 and ISO 14001.
- Dec. 2004: Yulon Nissan Motor Co., Ltd., went IPO officially.
- Mar 2005: The largest innovation contest "2005 Innovation Award of Yulon Nissan Motor" began.
- Jun 2005: Gorgeous INFINITI M35/G35 Coupe was launched.
- Jul 2005: Yulon Motor and Yulon Nissan Motor donated NTD 1 million to the Environment Protection Bureau for purchasing Group Accident Insurance for the entire part-time workers.
- Jul 2005: INFINITI flagship opened in AUTOMALL Shindian.
- Sep 2005: Yulon Nissan Motor was awarded the most satisfied automaker of non-luxury cars in Taiwan by J.D.POWER.
- Dec 2005: The stylish and innovative NISSAN MURANO took the field in Taipei car fair.
- Dec 2005: Modified 2007 X-TRAIL went on to the platform~ the perfect combination of sports and fashion.
- Mar. 2006: The INFINITI T.O.E. service system was formally launched.
- Mar. 2006: Infinite possibility of power and sexiness – the charming INFINITI FX45/35 was available in the market.
- May 2006: Yulon Nissan Motor was honored to receive the Model Award for CSR Award from GV magazine.
- Jun. 2006: The whole new NISSAN TIIDA featuring "Magical Big Space" made its stage debut.
- Jul. 2006: "Stay Rooted in Taiwan and Take a Broad View Internationally" – the construction of the new Yulon Nissan Design Center started.
- Aug. 2006: Yulon Nissan Motor was honored to receive the award as the automobile manufacturer with the highest proportion of export to Japan.
- Oct. 2006: Yulon Nissan Motor received the "National Standardization Award" from the Ministry of Economic Affairs, R.O.C.
- Dec. 2006: Satisfaction with NISSAN increased once again. The 3 year/100,000 km extended warranty was available in coming January.
- Dec. 2006: The brand new NISSAN BLUEBIRD was available in the market.
- May 2007: Yulon Nissan Motor received "the Third Anniversary of Great Vision Magazine Society Responsibility Award 2007"
- Jun. 2007: Yulon Nissan Motor received "Certification of NISSAN secure burglarproof code" from Ministry of the Interior.
- Oct. 2007: Yulon Nissan Motor launched X-level SUV of NISSAN LIVINA 1.6L and 1.8L.
- Nov. 2007: Yulon Nissan Motor launched new NISSAN CABSTAR.
- Nov. 2007: "Yulon Nissan Design Center" of the six NISSAN global design centers was formally launched.
- Dec. 2007: INFINITI EX made its debut in 2008 Taipei Motor Exhibition.
- Mar. 2008: NISSAN TIIDA rated "Environment-friendly Car of 2008" by EPA
- May. 2008: NISSAN TECHNOLOGY SQUARE

|            |   |
|------------|---|
| Sep. 2008: | 2008 Yulon Nissan Press Conference on International Speech and Prize Awarding for Auto Innovation   |
| Nov. 2008: | Launch of GT-R press conference   |
| Dec. 2008: | Launch of Rogue press conference  |
| Dec. 2008: | Yulon Nissan Green Program to sponsor pandas Tuantuan and Yuanyuan  |
| Jan. 2009: | NISSAN was awarded the No. 1 Ideal Domestic Car Brand   |
| Feb. 2009: | NISSAN TIIDA was awarded the “Green Car of the Year 2008” by Environmental Protection Agency.   |
| Apr. 2009: | Launch of NISSAN ALL NEW TEANA of car craft revitalization  |
| Jul. 2009: | Kick-off of the “NISSAN Green Power Camp”   |
| Sep. 2009: | Some ten thousand drivers gathered in “an Adventurous NISSAN Day in Resort” for an energy-saving, carbon-reducing and earth-loving ride   |
| Nov. 2009: | NISSAN ROUGE won Car of the Year Award of CarNews as the best imported Crossover of the year  |
| Dec. 2009: | ALL-New INFINITI M unveiled in Taipei Auto Show with the 2.5L model announced simultaneously  |
| Apr. 2010: | NISSAN/Concept Car PIVO2 arrived in Taiwan for the first time   |
| May 2010:  | NISSAN TIIDA has been awarded by the Environmental Protection Department the “Annual Green Car” for three consecutive years.  |
| Jun. 2010: | Press conference on the signing of MOU regarding joint promotion of electric vehicle with Taichung city   |
| Aug. 2010: | “NISSAN Green Program—Travel and Play with the Nature”, jointly with the Forestry Bureau invited people in the north, middle and south of Taiwan in response to the green concept |
| Sep. 2010: | The result of the “2009-2010 Yulon Nissan Motor Innovation Award” was out; the winner drove the grand prize of “NISSAN LIVINA” home!  |
| Dec. 2010: | First release of INFINITI G25 and sponsorship of Cirque Du Soleil’s public performance in Taiwan  |

### 3. 2011 Operation Results:

|           |   |
|-----------|---|
| Jan. 2011 | INFINITI sponsored Cirque du Soleil’s performance in Taiwan, and initiated “Little Sun – Dreams Come True Program.”   |
| Jan. 2011 | Yulon-Nissan was awarded 2010 “Nissan R&D Quality Award.”   |
| Mar. 2011 | NISSAN LEAF, a car of the new zero-emission era, made its debut in Taiwan.  |
| Mar. 2011 | NISSAN 370Z 2011 model was launched as a glamorous car of fashionable style and flagship performance.   |
| May. 2011 | Yulon-Nissan took the lead in cooperating with Taichung City Government in jointly implementing the Smart Electric Car Pilot Program initiated by the Ministry of Economic Affairs. |
| Jun. 2011 | INFINITI Car Technology Experience Hall tour was started.   |
| Jul. 2011 | The brand new INFINITI M37/M25 2012 model was launched.   |
| Aug. 2011 | NISSAN provided free towing during natural disasters and special offers for repairs and maintenance when Typhoon Nanmadol hit Taiwan.   |
| Sep. 2011 | In celebration of winning streak in F1, limited INFINITI FX V-Spec made an appearance.  |
| Sep. 2011 | NISSAN was awarded the ninth “Excellent Service Award” by Global Views Magazine   |
| Nov. 2011 | NISSAN MURANO 2011 model stunned the market.  |
| Nov. 2011 | Make Driving Fun NISSAN ROGUE 2012 model was announced with pleasure.   |
| Dec. 2011 | To expand our business territory, INFINITI’s Banciao showroom was on trial operation.   |
| Dec. 2011 | INFINITI JX Concept was premiered across Asia at Taipei Auto Show.  |
| Dec. 2011 | NISSAN GT-R 2013 model with improved performance was launched.  |

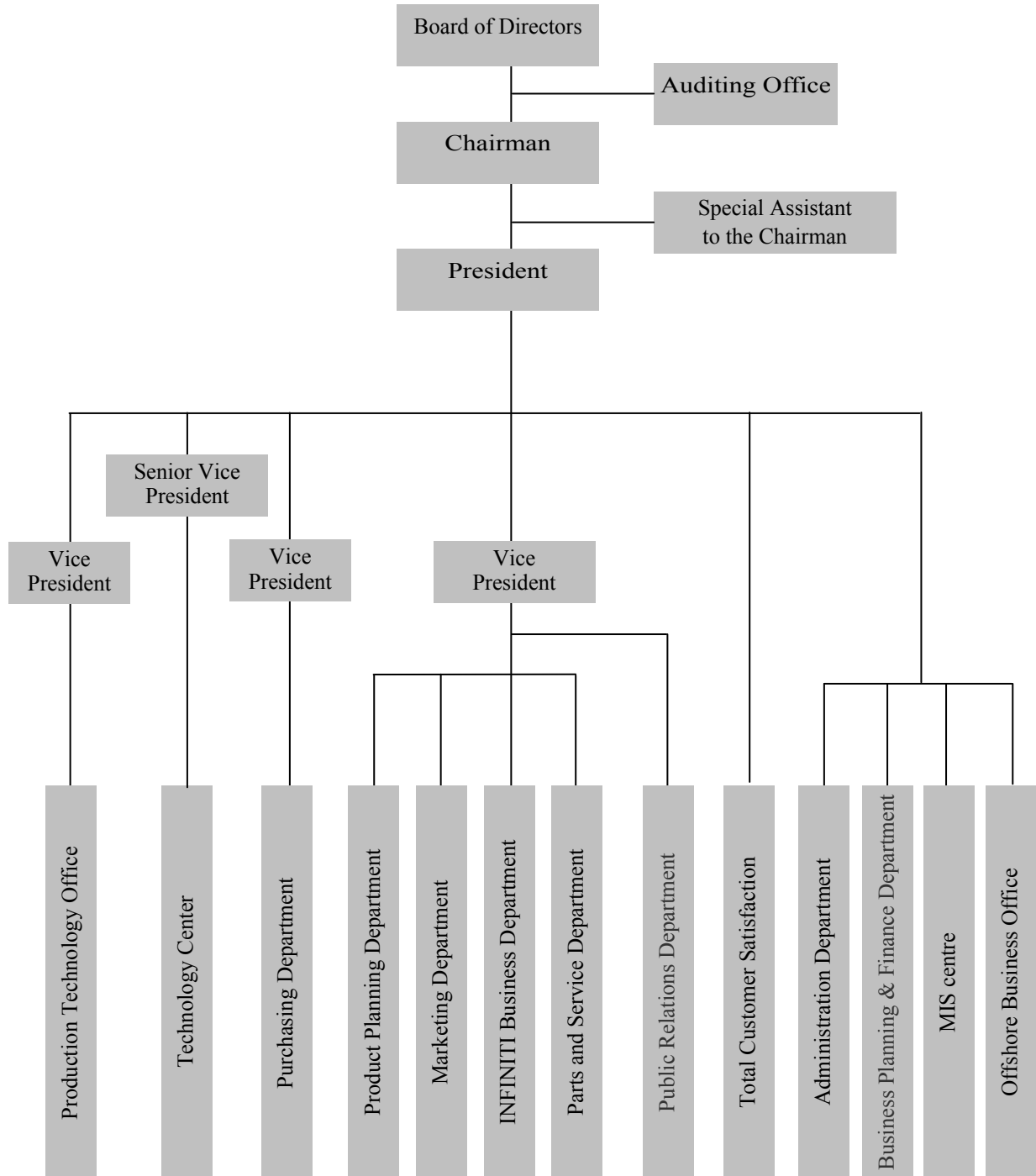
### 4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2011 and until the Annual Report published date: Nil
2. Large Transfer volume or Changes made by the Board Members, Supervisors or Big Shareholders holding more than 10% shares in fiscal year 2011 and until the Annual Report published date: Nil
3. Change of Business Operation Rights and other important matters that are enough to influence the shareholders equity in the fiscal year 2011 and until the Annual Report published dated: Nil.

## III. Company Management Report

### 1. Organizational System:

#### (1) Organization chart:



**(2) Organization Functions**

| Department Title                       | Occupational Activities  |
|--|--|
| Auditing Office                        | Establish a Strong, Reasonable and Effective Internal Control System   |
| Product Planning Department            | <ol style="list-style-type: none"> <li>1. Planning and guiding a product that conforms to the market needs and with competitive strength</li> <li>2. Plans IT product and strategy, enhance the product's added value</li> <li>3. Conduct market survey and information gathering; get hold of consumer's requirements and evaluation on the product</li> <li>4. Perform long term pricing management, institute accurate pricing strategy so as to ensure product competitive strength</li> </ol> |
| Marketing Department                   | <ol style="list-style-type: none"> <li>1. Brand Marketing Planning and Management</li> <li>2. Strengthen the difference strategy buildup the brand value</li> <li>3. Management and motivation of Dealers as well as management of car production, sales and distribution</li> </ol>   |
| INFINITI Business Department           | <ol style="list-style-type: none"> <li>1. Plans Brand Operation Strategy, and building up brand's value</li> <li>2. Distribution channel development, planning and implementing operation management criteria</li> <li>3. Actively utilize market information, to predict and guide the marketing direction</li> <li>4. Regulation and implementation of service policy and management standards</li> <li>5. Planning and implementation of educational training for Distributors</li> </ol>       |
| Parts and service Department           | <ol style="list-style-type: none"> <li>1. Regulation and implementation of service policy and standard management</li> <li>2. Planning and deployment of educational training for the Dealers</li> <li>3. Establish and deployment of customer satisfaction enhancement standard and management</li> <li>4. Parts distribution and management</li> <li>5. Parts procurement and inventory volume control</li> </ol>  |
| Total Customer Satisfaction Department | <ol style="list-style-type: none"> <li>1. Planning and promotion of the QA strategies and the QA system</li> <li>2. Quality supervision business</li> <li>3. Product quality information feedback and improvement</li> </ol>   |
| Technology Center                      | <ol style="list-style-type: none"> <li>1. Car model and parts development</li> <li>2. Subcontracted parts component quality verification and engineering specification test confirmation</li> <li>3. Vehicle's Regulation related verification/application and supervisory confirmation</li> </ol>   |
| Purchasing Department                  | <ol style="list-style-type: none"> <li>1. Purchasing business planning and management, and parts subcontractors management</li> <li>2. Car parts purchasing</li> </ol>   |
| Production Technology Office           | <ol style="list-style-type: none"> <li>1. Planning of new model</li> <li>2. Deployment, production and sorting of the manufacturing plans</li> <li>3. Equipment Investment Planning, applying, and management</li> <li>4. Technology Information Authorization</li> <li>5. Planning and Deployment of Factory Annual Plans</li> <li>6. As a window between the NML, responsible for technology guidance and assigning, maintenance research</li> </ol>   |
| Business Planning & Finance Department | <ol style="list-style-type: none"> <li>1. Operation Planning, monitoring and management of achieving goals</li> <li>2. Management of fund utilization and Avoid foreign currency risk</li> <li>3. Law, Stock Affair, Shareholders Meeting relevant business</li> <li>4. Provide analysis data of Corporate Financial Meeting, Taxation relevant business and operation</li> </ol>  |
| Administration Department              | <ol style="list-style-type: none"> <li>1. Human Resources Management and Labor-Capital Relation Development and Benefits Planning</li> <li>2. General miscellaneous affairs management</li> <li>3. Law affairs and negotiations</li> </ol>   |
| MIS centre                             | System Maintenance and management  |
| Public Relations Department            | Planning and implementation of public relation image activities  |
| Offshore Business Office               | <ol style="list-style-type: none"> <li>1. Stipulating the Offshore Business Strategy Plans and Target control</li> <li>2. Management of Offshore Business</li> <li>3. Investment Evaluation of Offshore Business</li> </ol>  |

## 2 Information of Directors, Supervisors, President, Senior Vice President, Vice President, General Manager :

### (1) Directors and Supervisors' Information:

| Title    | Name  | Elected (Sworn-in) Date | Term | First Elected Date | Shareholdings when Elected |                | Current Shareholdings |                |
|----------|---|-------------------------|------|--------------------|----------------------------|----------------|-----------------------|----------------|
|          |   |                         |      |                    | Shares                     | Share Holding  | Shares                | Share Holding  |
| Chairman | Yulon Motor Co., Ltd.<br>Representative:<br>Kenneth K. T. Yen | 2009.7.1                | 3    | 2003.10.01         | 180,000,000<br>*           | 60.00<br>*0.00 | 143,500,000<br>*      | 47.83<br>*0.00 |



April 30, 2012

| Current shareholding of spouse and minor children |               | Shareholdings in the names of others |               | Main Experience (Education)  | Positions concurrently held in this company and other company Shares   | Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative |      |              |
|---|---------------|--------------------------------------|---------------|--|--|---|------|--------------|
| Shares  | Share Holding | Shares                               | Share Holding |  |  | Title   | Name | Relationship |
| 0   | 0.00          | 0                                    | 0.00          | Honorary Doctor of Commerce, University of Saint John, USA<br>Honorary Doctorate of Administration of National Chiao Tung University | Chairman, Yulon Motor Co., Ltd.<br>Chairman, China Motor Corporation.<br>Chairman, Taiwan Acceptance Corporation<br>Director, Altek (Kunshan) Co., Ltd.<br>Chairman, Carnival Industrial Corporation<br>Chairman, Tai-Yuen Textile Co., Ltd.<br>Chairman Luxgen Motors Co., Ltd.<br>Director, Yulon General Motors<br>Director, South East [Fujian] Motor Co., Ltd.<br>Director, Nissan Motor Philippines, Inc.<br>Chairman, Fortune Motors Co., Ltd.<br>Chairman, Hwa-chuan Auto Technology Center Co., Ltd.<br>Chairman, ROC Spicer Ltd.<br>Chairman, Uni-Calsonic Corporation<br>Director, COC Tooling & Stamping Co., Ltd.<br>Chairman, Yue Sheng Industrial Co., Ltd.<br>Chairman, Union & NKH Auto Parts Co., Ltd.<br>Director, China Engine Corporation.<br>Chairman, Yen Tjing Ling Industrial Research Institute<br>Director, YEN Tjing Ling Medical Foundation<br>Chairman, Sino Diamond Motors Corporation<br>Chairman, Diamond Hosiery & Thread Co., Ltd.<br>Chairman, Yulon Management Co., Ltd.<br>Chairman, Yulon IT Solutions Inc.<br>Chairman, Hua-Zhong Motor Co., Ltd.<br>Chairman, China Cast Iron Pipe Co., Ltd.<br>Chairman, Yen Tjing Ling Industrial Technology Research and Development Center<br>Chairman, Tai Yuen Venture Capital Investment Corp.<br>Chairman, Leader Investment Co., Ltd.<br>Chairman, Yung Han Investment Co., Ltd.<br>Vice Chairman, Yu Yuan Development & Construction Co., Ltd.<br>Director, Yue Hong Investment Co., Ltd.<br>Director, Yue Ching Business Co., Ltd.<br>Director, Yue Pong Business Co., Ltd.<br>Director, Yulon Offshore Investment Co., Ltd.<br>Director, Yulon China Investment Co., Ltd.<br>Director, Yulon Philippines Investment Co., Ltd.<br>Chairman, Yi-Jan Overseas Investment Co., Ltd.<br>Director, Jet Ford, Inc.<br>Chairman, CMC Investment Co., Ltd. | Nil   | Nil  | Nil          |

| Title    | Name  | Elected (Sworn-in) Date | Term | First Elected Date | Shareholdings when Elected |                | Current Shareholdings      |                 |
|----------|---|-------------------------|------|--------------------|----------------------------|----------------|----------------------------|-----------------|
|          |   |                         |      |                    | Shares                     | Share Holding  | Shares                     | Share Holding   |
| Director | Yulon Motor Co., Ltd.<br>Representative:<br>Yi-Cheng Liu  | 2009.7.1                | 3    | 2003.10.01         | 180,000,000<br>*           | 60.00<br>*0.00 | 143,500,000<br>*<br>43,000 | 47.83<br>*0.014 |
| Director | Yulon Motor Co., Ltd.<br>Representative:<br>Kuo-Rong Chen | 2009.7.1                | 3    | 2003.10.01         | 180,000,000<br>* 0         | 60.00<br>*0.00 | 143,500,00<br>*<br>18,000  | 47.83<br>*0.01  |

April 30, 2012

| Current shareholding of spouse and minor children |               | Shareholdings in the names of others |               | Main Experience (Education)                            | Positions concurrently held in this company and other company  | Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative |      |              |
|---|---------------|--------------------------------------|---------------|--|--|---|------|--------------|
| Shares  | Share Holding | Shares                               | Share Holding |  |  | Title   | Name | Relationship |
| 0   | 0.00          | 0                                    | 0.00          | Master of High Level Management, Chiao Tung University | Director , Yulon Motor Co., Ltd<br>Supervisor, Tai-Yuen Textile Co., Ltd.<br>President & Director, Hwa-chuan Auto Technology Center Co., Ltd.<br>Chairman, China Engine Corporation.<br>Chairman, Sin Etke Technology Co.,<br>Director, Luxgen Motors Co., Ltd.<br>Director, Yulon Energy Techology Co.,Ltd<br>Director, Yulon Management Co.,Ltd  | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Master of High Level Management, Chiao Tung University | President & Director , Yulon Motor Co., Ltd.<br>Director, China Motor Co., Ltd.<br>Special Assistant to the Chairman, Yulon Nissan Motor Co., Ltd.<br>Director, Taiwan Acceptance Corporation<br>Director, Tai-Yuen Textile Co., Ltd.<br>Senior Vice Chairman, Lexgen Motors Co., Ltd.<br>Director, Yulon General Motor Co., Ltd.<br>Chairman , Yulon Tobe Co., Ltd.<br>Vice Chairman, Dongfeng-Yulon Motor Co<br>Director, Hua-chuang Automobile Information Technical Center Co., Ltd.<br>Director, Tokio Marine Nawa Insurance Co., Ltd.<br>Director, CARPLUS Auto Leasing Co., Ltd.<br>Chairman, Yulon Energy Techology Co.,Ltd.<br>Chairman, Yu Shin Motor Co., Ltd.<br>Chairman, Yushin Motor Co., Ltd.<br>Chairman, Tinglon Motor Co., Ltd.<br>Chairman, Qingtong Motor Co., Ltd.<br>Legal Representative, Yulon China Investment Co., Ltd.<br>Vice Chairman, Aeolus Automobile Co., Ltd.<br>Vice Chairman, Guangzhou Aeolus Automobile Co., Ltd.<br>Director, Yen Tjing Ling Industrial Research Institute<br>Director, YEN Tjing Ling Medical Foundation<br>Chairman, Xing Qi Co., Ltd.<br>Chairman, Visionary International Consulting Co., Ltd.<br>Director, Yulon IT Solutions Inc.<br>Director, Yulon China Investment Co., Ltd<br>Director, Jet Ford, Inc.<br>Supervisor of Leader Investment Co., Ltd.<br>Supervisor of CMC Investment Co., Ltd.<br>Representative, Yulon China Investment Co., Ltd.<br>Chairman, Yu Zhan Trade Co., Ltd.<br>Director, Yen Tjing Ling Industrial Technololy Research and Development Center<br>Director, Tai Yuen Venture Capital Investment Corp.<br>Chairman, Yulon Management Co., Ltd.<br>Director, Yu Pool Co., Ltd.<br>Director, Diamond Hosiery & Thread Co., Ltd. | Nil   | Nil  | Nil          |

| Title                | Name  | Elected (Sworn-in) Date | Term | First Elected Date | Shareholdings when Elected |                | Current Shareholdings |                |
|----------------------|---|-------------------------|------|--------------------|----------------------------|----------------|-----------------------|----------------|
|                      |   |                         |      |                    | Shares                     | Share Holding  | Shares                | Share Holding  |
| Director             | Yulon Motor Co., Ltd.<br>Representative:<br>Wen -Rong Tsay        | 2011.3.21               | 1.25 | 2011.3.21          | 143,500,000<br>*           | 47.83<br>*0.00 | 143,500,000<br>*      | 47.83<br>*0.00 |
| Director             | Nissan Motor Co., Ltd.<br>Representative:<br>Takashi Nishibayashi | 2011.3.21               | 1.25 | 2011.3.21          | 120,000,000<br>*           | 40.00<br>*0.00 | 120,000,000<br>*      | 40.00<br>*0.00 |
| Director             | Nissan Motor Co., Ltd.<br>Representative:<br>Hatanaka Keiji       | 2009.7.1                | 3    | 2009.04.15         | 120,000,000<br>*           | 40.00<br>*0.00 | 120,000,000<br>*      | 40.00<br>*0.00 |
| Director             | Nissan Motor Co., Ltd.<br>Representative:<br>Isao Morimoto        | 2010.6.10               | 2    | 2010.6.10          | 120,000,000<br>*           | 40.00<br>*0.00 | 120,000,000<br>*      | 40.00<br>*0.00 |
| Director             | Nissan Motor Co., Ltd.<br>Representative:<br>Mitsuhide Nakao      | 2010.6.10               | 2    | 2010.6.10          | 120,000,000<br>*           | 40.00<br>*0.00 | 120,000,000<br>*      | 40.00<br>*0.00 |
| Independent Director | Tsung-Jen Huang   | 2009.7.1                | 3    | 2003.10.01         | 0                          | 0.00           | 0                     | 0.00           |

April 30, 2012

| Current shareholding of spouse and minor children |               | Shareholdings in the names of others |               | Main Experience (Education)                                | Positions concurrently held in this company and other company   | Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative |      |              |
|---|---------------|--------------------------------------|---------------|--|---|---|------|--------------|
| Shares  | Share Holding | Shares                               | Share Holding |  |   | Title   | Name | Relationship |
| 0   | 0.00          | 0                                    | 0.00          | Master of High Level Management, Chiao Tung University     | President, Yulon Nissan Motor Co., Ltd.<br>Chairman, Shenzhen Lan You Technology Co., Ltd.<br>Director, Guangzhou Aeolus Automobile Co., Ltd.<br>Director, Aeolus Automobile Co., Ltd.<br>Director, Dong Feng Yulon Motors Sales Co., Ltd.<br>Director, Dong Feng Yulon Used Cars Co., Ltd.<br>Director, Aeolus Xiangyang Automobile Co., Ltd.<br>Director, Jet Ford, Inc.<br>Director, Taiwan Acceptance Corporation<br>Director, Yu Shin Motor Co., Ltd.<br>Director, Chen Long Co., Ltd.<br>Director, Chi Ho Corporation<br>Supervisor, CARPLUS Auto Leasing Co., Ltd.<br>Supervisor, Tokio Marine Nawa Insurance Co., Ltd.<br>Director, Aeolus Suzhou Sales & Service Co., Ltd.<br>Director, Shenzhen Yu Peng Sales & Service Co., Ltd.<br>Director, Wuhan Yu Shin Auto Sales & Service Co., Ltd.<br>Director, Nanjing Hanhong Auto Trading Co., Ltd.<br>Director, Yulon Management Co., Ltd. | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Waseda University, Commercial Science                      | Senior Vice President, Nissan Motor Co., Ltd.<br>President, Nissan (China) Investment Co., Ltd.<br>Director, Dongfeng Motor Co., Ltd.   | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Kyushu University, Master, Faculty of Engineering          | SVP, Yulon-Nissan Motor Co., Ltd.   | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Keio University, Bachelor Commercial Science               | VP, Yulon-Nissan Motor Co., Ltd.  | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Waseda University, Bachelor Commercial Science             | GM, Nissan Motor Co., Ltd.  | Nil   | Nil  | Nil          |
| 0   | 0.00          | 0                                    | 0.00          | Doctor of Computer Science, University of Wisconsin, U.S.A | Chairman, SYSTEX Corporation<br>President, Hopax Co., Ltd.<br>President, Yung Wei Finance Consultant Co., Ltd. (Legal Representative)<br>Chairman, ChinPu Investment Co., Ltd. (Legal Representative)<br>Director, Kimo.com (BVI) Corp. (Legal Representative)<br>Director, Systex Capital Group Inc. (BVI)   | Nil   | Nil  | Nil          |

| Title                   | Name  | Elected<br>(Sworn-in)<br>Date | Term | First<br>Elected<br>Date | Shareholdings<br>when Elected |                  | Current Shareholdings |                  |
|-------------------------|---|-------------------------------|------|--------------------------|-------------------------------|------------------|-----------------------|------------------|
|                         |   |                               |      |                          | Shares                        | Share<br>Holding | Shares                | Share<br>Holding |
| Independent<br>Director | Robert Mao  | 2009.7.1                      | 3    | 2003.10.01               | 0                             | 0.00             | 0                     | 0.00             |
| Supervisors             | Yu Ching<br>Business Co., Ltd.<br>Representative:<br>Kuan-Tao Lee | 2009.7.1                      | 3    | 2004.11.11               | 1,500,000<br>*                | 0.5<br>*0.00     | 3,500,000<br>*        | 1.17<br>*0.00    |
| Supervisors             | Nagano Masaya   | 2009.7.1                      | 3    | 2009.7.1                 | 0                             | 0.00             | 0                     | 0.00             |
| Supervisors             | Qing-Zhi Yen  | 2009.7.1                      | 3    | 2003.10.01               | 0                             | 0.00             | 0                     | 0.00             |

\* which are personal owned

April 30, 2012

| Current shareholding of spouse and minor children |               | Shareholdings in the names of others |               | Main Experience (Education)  | Positions concurrently held in this company and other company  | Other competent Officer, Director or Supervisor who is the Spouse or the second-degree relative |      |              |
|---|---------------|--------------------------------------|---------------|--|--|---|------|--------------|
| Shares  | Share Holding | Shares                               | Share Holding |  |  | Title   | Name | Relationship |
| 0   | 0.00          | 0                                    | 0.00          | Master of Management, Massachusetts Institute of Technology, U.S.A<br>Master of Engineering, Cornell University, U.S.A   | CEO, Director, 3Com Co., Ltd.  | Nil   | Nil  | Nil          |
| —   | —             | —                                    | —             | Master of Business Management, J.L. Kellogg Graduate School of Management, Northwestern University, U.S.A/The Hongkong University of Science & Technology<br>Master Degree, New York University Law Graduate School, U.S.A | Chief Senior Consultant, Lee & Li Attorneys<br>Chairman, Lee & Li Foundation<br>Director, Yen Tjing Ling Medical Foundation<br>Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation<br>Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation<br>Director, Koo Foundation Sun Yat-Sen Cancer Center<br>Director, Tai-Yuen Textile Co., Ltd.<br>Director, Diamond Hosiery & Thread Co., Ltd<br>Director, Asia Cement Co., Ltd.<br>Director, Far Eastern Textile, Ltd. | Nil   | Nil  | Nil          |
| —   | —             | —                                    | —             | Department of Economics of National Shiga University, Japan  | General Manager, Nissan Motor Co., Ltd.  | Nil   | Nil  | Nil          |
| —   | —             | —                                    | —             | MBA, Chicago University, U.S.A   | CFO, Hongkong DCG Investment & Management, Ltd.  | Nil   | Nil  | Nil          |

## The Major Stockholders of Corporation Shareholders

April 30, 2012

| Names of Major Stockholders | The Major Stockholders of Corporation Shareholders  |
|-----------------------------|---|
| Yulon Motor Company Ltd.    | 1. Tai Yuen Textile Co., Ltd., (18.11%)<br>2. China Motor Co., Ltd., (15.06%)<br>3. Kenneth K. T. Yen (5.88%)<br>4. Shun Wen Wu (4.29%)<br>5. Hua Li Investment Co., Ltd. (1.57%)<br>6. Labor Pension Fund (1.42%)<br>7. Fan De Investment Co., Ltd. (1.30%)<br>8. Shin Kong Life Insurance Co., Ltd. (1.26%)<br>9. Yen Tjing-Ling Industrial Development Foundation (1.09%)<br>10. Nanshan Life Insurance Co., Ltd. (1.06%)  |
| Nissan Motor Co., Ltd.      | 1. Renault(43.8%)<br>2. The Chase Manhattan Bank, N.A. London. Special Account No.1(3.2%)<br>3. Japan Trustee Services Bank Ltd.(Trust)(3.0%)<br>4. The Master Trust Bank of Japan Ltd. (Trust)(2.4%)<br>5. Nippon Life Insurance Company (2.1%)<br>6. Tokio Marine Nichido Fire Insurance Company (1.5%)<br>7. Sompo Japan Insurance Inc.(1.4%)<br>8. Japan Trustee Services Bank Ltd.(Trust 9)(1.3%)<br>9. SSBT OD05 Omnibus Account-Treaty Clients(1.2%)<br>10. Moxley & Company(1.1%) |
| Yu Ching Business Co., Ltd. | Yulon Motor Co., Ltd., (100%)   |

### If the Legal Persons are the Major Shareholders, their major Stockholders

April 30, 2012

| Legal Person's Name           | Shareholders of Natural persons  |
|-------------------------------|--|
| 1. Tai-Yuen Textile Co., Ltd. | 1. Yulon Motor Company Ltd. (20.85%)<br>2. Yen Tjing-Ling Industrial Development Foundation (14.24%)<br>3. Hoffman Brothers Investment Co., Ltd. (9.80%)<br>4. Evans Co., Ltd. (9.71%)<br>5. Westbridge Investment Co., Ltd. (9.13%)<br>6. Lee Yuan Investment Co., Ltd. (7.17%)<br>7. Yun Shueng Investment Corp. (6.82%)<br>8. Ly Pon Investment Corp. (5.61%)<br>9. Diamond Hosiery & Thread Co., Ltd. (3.91%)<br>10. Yuen Wei Investment Corp. (3.10%) |



|   |  |
|---|--|
| 2.China Motor Co., Ltd.   | <ul style="list-style-type: none"> <li>1. Tai-Yuen Textile Co., Ltd. (25.18%)</li> <li>2. Mitsubishi Motors Co., Ltd. (14.00%)</li> <li>3. Yulon Motor Company Ltd. (8.05%)</li> <li>4. Diamond Hosiery &amp; Thread Co., Ltd. (6.76%)</li> <li>5. Mitsubishi Corp. (4.79%)</li> <li>6. Cathay Life Insurance Co., Ltd. (2.36%)</li> <li>7. Kenneth K. T. Yen ( 1.12% )</li> <li>8. Shin Kong Life Insurance Co., Ltd. (0.79%)</li> <li>9. Fan De Xin Investment Co., Ltd. (0.76%)</li> <li>10.Standard Chartered Bank Trust VANGUARD EMERGING MARKETS STOCK INDEX FUND (0.70%)</li> </ul> |
| 3.Hua Li Investment Co., Ltd.                                   | <ul style="list-style-type: none"> <li>1. China Motor Co., Ltd.,(99.988%)</li> <li>2. Le Wen Investment Co., Ltd. (0.002%)</li> <li>3. Wei Wen Investment Co., Ltd. (0.002%)</li> <li>4. Wei Tai Investment Co., Ltd. (0.002%)</li> <li>5. Fan De Xin Investment Co., Ltd. (0.002%)</li> <li>6. Jing Yu Investment Co., Ltd. (0.002%)</li> <li>7. Yu Xin Investment Co., Ltd. (0.002%)</li> </ul>  |
| 4. Pension Fund Management                                      | Non-juristic person, not applicable  |
| 5.Fan De Xin Investment Co., Ltd.                               | <ul style="list-style-type: none"> <li>1. Wei Wen Investment Co., Ltd. (33.30%)</li> <li>2. Wei Tai Investment Co., Ltd. (33.36%)</li> <li>3. Le Wen Investment Co., Ltd. (33.30%)</li> <li>4. Jerry Chu (0.02%)</li> <li>5. Chi, Wei-Kung (0.02%)</li> </ul>  |
| 6. Shin Kong Life Insurance Co., Ltd..                          | Shin Kong Financial Holdings Co., Ltd. (100%)  |
| 7. Yen Tjing-Ling Industrial Development Foundation             | Juridical Person   |
| 8. Nanshan Life Insurance Co., Ltd                              | <ul style="list-style-type: none"> <li>1. First Bank by the Runcheng an investment holding company trust account (83.11%)</li> <li>2.Runcheng the Investment Holding Co., Ltd.(100%)</li> </ul>  |
| 9.Renault   | <ul style="list-style-type: none"> <li>1.French State(15.01%)</li> <li>2.Nissan Finance Co., Ltd.(15%)</li> <li>3.Daimler AG(3.10)</li> <li>3.Other Shareholders: Subject to local restrictions, not available</li> </ul>  |
| 10.The Chase Manhattan Bank, N.A. London. Special Account No.01 | Subject to local restrictions, not available   |
| 11.Japan Trustee Services Bank Ltd.(Trust)                      | Subject to local restrictions, not available   |

|   |  |
|---|--|
| 12.The Master Trust Bank of Japan, Ltd. (Trust) | 1.Mitsubishi UFJ Trust and Banking Co.,Ltd.(46.5%)<br>2.Nippon Life Insurance Co.,Ltd.(33.5%)<br>3.Meiji Yasuda Life Insurance Co.,Ltd.(10%)<br>4.The Norinchukin Trust & Banking Co.,Ltd.(10%)  |
| 13. Nippon Life Insurance Company               | Subject to local restrictions, not available   |
| 14.Tokyo Marine Nichido Fire Insurance Company  | Millea Holdings, Inc.(100%)  |
| 15.Sompo Japan Insurance Inc.                   | NKSJ Holdings, Inc.(trust)(100%)   |
| 16.Japan Trustee Services Bank Ltd.(Trust 9)    | Subject to local restrictions, not available   |
| 17.SSBT OD5 Omnibus Account-Treaty Clients      | Subject to local restrictions, not available   |
| 18.Moxley & Company                             | Subject to local restrictions, not available   |
| 19. Yulon Motor Company Ltd.                    | 1. Tai-Yuen Textile Co., Ltd.(18.11%)<br>2. China Motor Co., Ltd. (15.06%)<br>3. Kenneth K. T. Yen (5.88%)<br>4. Shun Wen Wu (4.29%)<br>5.. Hua Li Investment Co., Ltd. (1.57%)<br>6. Labor Pension Fund (1.42%)<br>7. Fan De Investment Co., Ltd. (1.30%)<br>8. Shin Kong Life Insurance Co., Ltd. (1.26%)<br>9. Yen Tjing-Ling Industrial Development Foundation (1.09%)<br>10. Nanshian Life Insurance Co., Ltd. (1.06%). |

## Professionalism and Independence of Directors and Supervisors

| Name  | Conditions | With over 5 years of work experience and the following professional qualifications  |   |   | Conformed to the requirements of Independence (Note 1) |   |   |   |   |   |   |   |   |    | Number of director posts held concurrently for other publicly listed companies |   |
|---|------------|---|---|---|--|---|---|---|---|---|---|---|---|----|--|---|
|   |            | Lecturer (or above) of public/private colleges/universities for relevant subjects required for business, law, finance, accounting or company businesses | Specialized and technical personnel with national exam qualified certificates required for judges, public procurators, lawyers, accountants or other company businesses | Work experience required for business, law, finance, accounting or company businesses | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |  |   |
| Yulon Motor Co., Ltd.<br>Representative:<br>Kenneth K. T. Yen     |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  |  |   |
| Yulon Motor Co., Ltd.<br>Representative:<br>Kuo-Rong Chen         |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  |  |   |
| Yulon Motor Co., Ltd.<br>Representative:<br>Yi-Cheng Liu          |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  |  |   |
| Yulon Motor Co., Ltd.<br>Representative:<br>Wen -Rong Tsay        |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  |  |   |
| Nissan Motor Co., Ltd.<br>Representative:<br>Takashi Nishibayashi |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  | v  |   |
| Nissan Motor Co., Ltd.<br>Representative:<br>Hatanaka Keiji       |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  | v  |   |
| Nissan Motor Co., td.<br>Representative:<br>Isao Morimoto         |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  | v  |   |
| Nissan Motor Co., td.<br>Representative:<br>Mitsuhide Nakao       |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  | v  |   |
| Tsung-Jen Huang   |            |   |   | v   | v  | v | v | v | v | v | v | v | v | v  | v  | 0 |
| Robert Mao  |            |   |   | v   | v  | v | v | v | v | v | v | v | v | v  | v  | 0 |
| Yu Ching Business Co., Ltd.<br>Representative:<br>Kuan-Tao Lee    |            |   |   | v   | v  | v | v | v | v | v | v | v | v | v  |  |   |
| Nagano Masaya   |            |   |   | v   |  |   | v | v |   |   |   |   | v | v  | v  |   |
| Qing-Zhi Yen  |            |   |   | v   | v  | v | v | v | v | v | v | v | v | v  | v  | 0 |

Note: Directors and supervisors who meet the following conditions 2 years prior to the election and during the post, are marked "v" in each qualification columns.

- (1) Not an employee of the company or its affiliates
- (2) Not a director or a supervisor of the company or its affiliates (excluding the independent directors of the company's or the mother company's subsidiaries that directly or indirectly hold over 50% shares of the voting right)
- (3) Not a natural person shareholder who or whose spouse, minor child, or who on behalf of other people, holds over 1% of the company's total issued shares or is one of the first 10 shareholders
- (4) Not a spouse, or within a second-degree relative or a fifth-degree direct relative of the above 3 parties
- (5) Not a director, supervisor or an employee who is a legal person shareholder directly holding 5% of the company's total issued shares, or a director, supervisor or an employee who is one of the first five legal person shareholders
- (6) Not a director, supervisor, manager or a shareholder with over 5% shares who are from specific companies or organizations that have that have financial or business transactions with the company
- (7) Not an enterprise owner, a partner, director, supervisor, manager or their spouse who is a professional or from an independent venture, a partner, a company or an organization providing business, legal, financial, accounting services or consultation for the company or its affiliates
- (8) Neither a spouse nor within a second-degree relative of other directors
- (9) Without any of the circumstances mentioned in the provisions of Article 30 of the Company Law
- (10) Not a government, legal person or representative elected according to Article 27 of the Company Law

**(2) Information of President, Senior Vice President, Vice President and General Manager**

| Title                             | Name           | Elected (Sworn-in) Date | Shares |               | Shareholding of spouse and minor children |               | Shareholdings in the names of others |               |
|-----------------------------------|----------------|-------------------------|--------|---------------|---|---------------|--------------------------------------|---------------|
|                                   |                |                         | Shares | Share Holding | Shares                                    | Share Holding | Shares                               | Share Holding |
| President                         | Wen -Rong Tsay | 2010.09.01              | 0      | 0.00          | —   | —             | —                                    | —             |
| Special Assistant to the Chairman | Kuo-Rong Chen  | 2003.11.1               | 18,000 | 0.01          | —   | —             | —                                    | —             |

April 30, 2012

| Main Experience<br>(Education)                         | Concurrent positions at other companies  | Any manager who is the spouse or blood relative within the second order to the principal |      |               |
|--|--|--|------|---------------|
|  |  | Title  | Name | Relation ship |
| Master of High Level Management, Chiao Tung University | Chairman, Shenzhen Lan You Technology Co., Ltd.<br>Director, Guangzhou Aeolus Automobile Co., Ltd.<br>Director, Aeolus Automobile Co., Ltd.<br>Director, Dong Feng Yulon Motors Sales Co., Ltd.<br>Director, Dong Feng Yulon Used Cars Co., Ltd.<br>Director, Aeolus Xiangyang Automobile Co., Ltd.<br>Director, Jet Ford, Inc.<br>Director, Taiwan Acceptance Corporation<br>Director, Yu Shin Motor Co., Ltd.<br>Director, Chen Long Co., Ltd.<br>Director, Chi Ho Corporation<br>Supervisor, CARPLUS Auto Leasing Co., Ltd.<br>Supervisor, Tokio Marine Nawa Insurance Co., Ltd.<br>Director, Aeolus Suxhou Sales & Service Co., Ltd.<br>Director, Shenzhen Yu Peng Sales & Service Co., Ltd.<br>Director, Wuhan Yu Shin Auto Sales & Service Co., Ltd.<br>Director, Nanjing Hanhong Auto Trading Co., Ltd.<br>Director, Yulon Management Co., Ltd.   | —  | —    | —             |
| Master of High Level Management, Chiao Tung University | President & Director, Yulon Motor Co., Ltd.<br>Director, China Motor Co., Ltd.<br>Special Assistant to the Chairman, Yulon Nissan Motor Co., Ltd.<br>Director, Taiwan Acceptance Corporation<br>Director, Tai-Yuen Textile Co., Ltd.<br>Senior Vice Chairman, Lexgen Motors Co., Ltd.<br>Director, Yulon General Motor Co., Ltd.<br>Chairman, Yulon Tobe Co., Ltd.<br>Vice Chairman, Dongfeng-Yulon Motor Co.<br>Director, Hua-chuang Automobile Information Technical Center Co., Ltd.<br>Director, Tokio Marine Nawa Insurance Co., Ltd.<br>Director, CARPLUS Auto Leasing Co., Ltd.<br>Chairman, Yulon Energy Technology Co., Ltd.<br>Chairman, Yu Shin Motor Co., Ltd.<br>Chairman, Yushin Motor Co., Ltd.<br>Chairman, Tinglon Motor Co., Ltd.<br>Chairman, Qingtong Motor Co., Ltd.<br>Legal Representative, Yulon China Investment Co., Ltd.<br>Vice Chairman, Aeolus Automobile Co., Ltd.<br>Vice Chairman, Guangzhou Aeolus Automobile Co., Ltd.<br>Director, Yen Tjing Ling Industrial Research Institute<br>Director, YEN Tjing Ling Medical Foundation<br>Chairman, Xing Qi Co., Ltd.<br>Chairman, Visionary International Consulting Co., Ltd.<br>Director, Yulon IT Solutions Inc.<br>Director, Yulon China Investment Co., Ltd.<br>Director, Jet Ford, Inc.<br>Supervisor of Leader Investment Co., Ltd.<br>Supervisor of CMC Investment Co., Ltd.<br>Representative, Yulon China Investment Co., Ltd.<br>Chairman, Yu Zhan Trade Co., Ltd.<br>Director, Yen Tjing Ling Industrial Technology Research and Development Center<br>Director, Tai Yuen Venture Capital Investment Corp.<br>Chairman, Yulon Management Co., Ltd.<br>Director, Yu Pool Co., Ltd.<br>Director, Diamond Hosiery & Thread Co., Ltd. | —  | —    | —             |

| Title                 | Name             | Elected (Sworn-in) Date | Shares |               | Shareholding of spouse and minor children |               | Shareholdings in the name of others |               |
|-----------------------|------------------|-------------------------|--------|---------------|---|---------------|-------------------------------------|---------------|
|                       |                  |                         | Shares | Share Holding | Shares                                    | Share Holding | Shares                              | Share Holding |
| Senior Vice President | Hatanaka Keiji   | 2009.4.1                | —      | —             | —   | —             | —                                   | —             |
| Vice President        | Leman C.C. Lee   | 2007.3.16               | —      | —             | —   | —             | —                                   | —             |
| Vice President        | Isao Morimoto    | 2010.4.1                | —      | —             | —   | —             | —                                   | —             |
| Vice President        | Takeshi Fujiwara | 2007.4.1                | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Jiang-Shan Lee   | 2003.10.1               | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Jin-Zhu Lin      | 2005.5.1                | 1,000  | —             | —   | —             | —                                   | —             |
| General Manager       | Shun-Chi Tsai    | 2007.1.1                | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Bruce Cheng      | 2007.4.1                | 8,000  | —             | —   | —             | —                                   | —             |
| General Manager       | Can-Huang Lin    | 2009.02.15              | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Yu-Jhuo Sie      | 2009.7.1                | 1,000  | —             | —   | —             | —                                   | —             |
| General Manager       | Vincent Mao      | 2010.12.1               | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Chung Clock      | 2010.12.1               | —      | —             | —   | —             | —                                   | —             |
| General Manager       | Wen-Qiang Hu     | 2011.05.18              | —      | —             | —   | —             | —                                   | —             |
| Financial Executive   | Chao-Yen Liang   | 2010.12.01              | —      | —             | —   | —             | —                                   | —             |
| Section Manager       | Yan-Jung Kuan    | 2011.02.09              | —      | —             | —   | —             | —                                   | —             |

April 30, 2012

| Main Experience<br>(Education)  | Concurrent positions at other companies   | Any manager who is the spouse or blood relative within the second order to the principal |      |              |
|---|---|--|------|--------------|
|   |   | Title  | Name | Relationship |
| Kyushu University, Master, Faculty of Engineering   | —   | —  | —    | —            |
| Department of Mechanical Engineering, National Taiwan University  | Director, Yu Shin Motor Co., Ltd.<br>Director, YuShin Motor Co., Ltd<br>Director, YuChang Motor Co., Ltd<br>Director, Yuan Long Motor Co. Ltd.<br>Director, Empower Motor Co. Ltd.<br>Director, Yuan Tang Motor Co. Ltd<br>Director, Chen Long Motor Co. Ltd<br>Director, Chi Ho Corporation<br>Director of Kaihsin Insurance Agent Co.<br>Director, Singan Co. Ltd<br>Director, Sinjang Co. Ltd<br>Director, Tianwang Co. Ltd<br>Director, Qun Min Corporation<br>Director, Hui-Lian Motor Co. | —  | —    | —            |
| Keio University, Bachelor Commercial Science  | —   | —  | —    | —            |
| Faculty of Science and Technology, Department of Administration Engineering, Keio University  | —   | —  | —    | —            |
| Master of Civil Engineering, University of Maryland   | —   | —  | —    | —            |
| Master of International Business Management, Curtin University of Technolohy  | —   | —  | —    | —            |
| Master of International Business Management, Curtin University of Technolohy  | Director, Empower Motor Co. Ltd.<br>Director, Yuan Long Motor Co. Ltd<br>Director, Qun Min Corporation  | —  | —    | —            |
| Master of International Business Management, Curtin University of Technolohy  | Director, Yuan Long Motor Co., Ltd.<br>Director, Yuan Tang Motor Co. Ltd  | —  | —    | —            |
| Department of Aerospace Engineering, Tamkang University   | —   | —  | —    | —            |
| Chung Cheng Institute of Technology<br>Department of Vehicle Engineering  | —   | —  | —    | —            |
| Master of Business Administration , National Cheng Kung University.   | —   | —  | —    | —            |
| Department of Industrial Design<br>National Cheng Kung University<br>Master of International Business Management, Curtin University of Technolohy | —   | —  | —    | —            |
| National Taiwan Ocean University  | Director ,Jiana Tobe Co., Ltd.<br>Director of Kaihsin Insurance Agent Co.   | —  | —    | —            |
| Department of Mechanical Engineering, National Chung Hsing University<br>Master of High Level Management, Chiao Tung University                   | —   | —  | —    | —            |
| Department of Accounting Administration, Feng Chia University   | —   | —  | —    | —            |

(3) Payment of Remuneration to Directors, Supervisors, President and Senior Vice President

1. Director's Compensation

Dec. 31, 2011  
Unit: NTD Thousand

| Title                | Name                          | Director Compensation |   |                             |                                | Compensation Received by Employees with Concurrent Posts        |   |   |                                    | Number of Stocks Allowed to be Subscribed for Employee Stock Options (H) | % of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax |   | Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries |     |
|----------------------|-------------------------------|-----------------------|---|-----------------------------|--------------------------------|---|---|---|------------------------------------|--|--|---|---|-----|
|                      |                               | Compensation (A)      | Compensation of Surplus Distribution (B) (Note 2) | Surplus Divided Payment (C) | Business Execution Expense (D) | % of Total Amount of A, B, C and D against Net Profit after Tax | Salary, Reward and Special Allowance (E) (Note 1) | Compensation of Surplus Distribution (F) (Note 3) | Surplus Divided Employee Bonus (G) |  | The Company  | All the companies included in this consolidated statement |   |     |
| Chairman             | Kenneth K.T. Yen              |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Kuo-Rong Chen                 |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Yi-Cheng Liu                  |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Hsin-Fa Wu (Note 4)           |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Wen-Rong Tsay (Note 4)        |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Yasuaki Hashimoto (Note 5)    |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Takashi Nishibayashi (Note 5) | 12,000                | 0   | 0                           | 0                              | 0.31%   | 20,389  | 1,958   | 193                                | 0  | 0  | 0.98%   | 0.98%   | Nil |
| Director             | Hatanaka Keiji                |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Isao Morimoto                 |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Director             | Mitsuhide Nakao               |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Independent director | Tsung-Jen Huang               |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |
| Independent director | Robert Mao                    |                       |   |                             |                                |   |   |   |                                    |  |  |   |   |     |

Note 1: The driver payment is disclosed for reference only but not regarded as part of the compensation.

Note 2: (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 0 NTD Thousand

Note 3: (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 1,958 NTD Thousand

Note 4: Wen-Rong Tsay succeeded Hsin-Fa Wu as Yulon Motor Co., Ltd. Representative since March 21 2011.

Note 5: Takashi Nishibayashi succeeded Yasuaki Hashimoto Hsin-Fa Wu as Nissan Motor Co., Ltd. Representative since March 21 2011.



**Compensation Range Table**

| The Compensation Range for Directors of the Company | Number of Directors   |   |   |   |    |
|---|---|---|---|---|----|
|   | Total Compensation Amount of A+B+C+D  |   | Total Compensation Amount of A+B+C+D+E+F+G  |   |    |
|   | The Company   | The Company   | The Company   | The Company   |    |
| Less than NT 2,000,000                              | Kenneth K.T. Yen ,<br>Kuo-Rong Chen , Yi-Cheng Liu ,<br>Hsin-Fa Wu , Wen -Rong Tsay ,<br>Yasuaki Hashimoto , Takashi<br>Nishibayashi ,<br>Hatanaka Keiji , Isao Morimoto ,<br>Mitsuhide Nakao , Tsung-Jen<br>Huang , Robert Mao | Kenneth K.T. Yen ,<br>Kuo-Rong Chen , Yi-Cheng Liu ,<br>Hsin-Fa Wu , Wen -Rong Tsay ,<br>Yasuaki Hashimoto , Takashi<br>Nishibayashi ,<br>Hatanaka Keiji , Isao Morimoto ,<br>Mitsuhide Nakao , Tsung-Jen<br>Huang , Robert Mao | Yi-Cheng Liu , Hsin-Fa Wu ,<br>Yasuaki Hashimoto , Takashi<br>Nishibayashi ,<br>Mitsuhide Nakao ,<br>Tsung-Jen Huang , Robert Mao | Yi-Cheng Liu , Hsin-Fa Wu ,<br>Yasuaki Hashimoto , Takashi<br>Nishibayashi ,<br>Mitsuhide Nakao ,<br>Tsung-Jen Huang , Robert Mao |    |
|   | NT2,000,000~NT5,000,000   |   |   | Kuo-Rong Chen , Wen -Rong Tsay ,<br>Hatanaka Keiji , Isao Morimoto  |    |
|   | NT5,000,000~NT10,000,000  |   |   | Kenneth K.T. Yen  |    |
|   | NT10,000,000~NT15,000,000   |   |   |   |    |
|   | NT15,000,000~NT30,000,000   |   |   |   |    |
|   | NT30,000,000~NT50,000,000   |   |   |   |    |
|   | NT50,000,000~NT100,000,000  |   |   |   |    |
|   | More than NT100,000,000   |   |   |   |    |
|   | Total   | 12  | 12  | 12  | 12 |

## 2.Compensation of supervisors

Dec. 31, 2011  
Unit:NTD Thousand

| Title                  | Name  | Supervisor Compensation |   |                                  |   | % of Total Amount of A, B and C against Net Profit after Tax |   | Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries |
|------------------------|---|-------------------------|---|----------------------------------|---|--|---|---|
|                        |   | Remuneration (A)        |   | Surplus Divided Remuneration (B) |   | Business Execution Expense (C)                               |   |   |
|                        |   | The Company             | All the companies included in this consolidated statement | The Company                      | All the companies included in this consolidated statement | The Company  | All the companies included in this consolidated statement |   |
| Supervisor             | Yu Ching Business Co., Ltd.<br>Representative: Kuan-Tao Lee |                         |   |                                  |   |  |   |   |
| Supervisor             | Nagano Masaya   | 3,600                   | 3,600   | 0                                | 0   | 0  | 0   | 0.09%   |
| Independent Supervisor | Qing-Zhi Yen  |                         |   |                                  |   |  |   | Nil   |

## Compensation Range Table

| The Compensation Range for Supervisors of the Company | Number of Supervisors                   |   |
|---|---|---|
|   | The Company                             | Total Compensation Amount of A+B+C                          |
| Less than NT2,000,000                                 | Kuan-Tao Lee、Nagano Masaya、Qing-Zhi Yen | All the companies included in this consolidated statement D |
| NT2,000,000 ~ NT5,000,000                             |   |   |
| NT5,000,000 ~ NT10,000,000                            |   |   |
| NT10,000,000 ~ NT15,000,000                           |   |   |
| NT15,000,000 ~ NT30,000,000                           |   |   |
| NT30,000,000 ~ NT50,000,000                           |   |   |
| NT50,000,000 ~ NT100,000,000                          |   |   |
| More than NT100,000,000                               |   |   |
| Total   | 3                                       | 3   |

## 3: Compensation of the President and Senior Vice President

Dec. 31, 2011 Unit: NT Thousand

| Title                             | Name (Note 1)  | Salary (A)  |   | Reward and Special Allowance (B) |   | Surplus Divided Employee Bonus (C) |   |            | % of Total Amount of A, B and C against Net Profit after Tax |             | Number of Employee Stock Options Acquired |   | Whether Compensation is Received from Companies other than Subsidiaries |
|-----------------------------------|----------------|-------------|---|----------------------------------|---|------------------------------------|---|------------|--|-------------|---|---|---|
|                                   |                | The Company | All the companies included in this consolidated statement | The Company                      | All the companies included in this consolidated statement | The Company                        | All the companies included in this consolidated statement | Cash Bonus | Stock Bonus  | Stock Bonus | The Company                               | All the companies included in this consolidated statement |   |
| President                         | Wen-Rong Tsai  |             |   | 4,075                            | 4,075   |                                    |   |            |  |             |   |   |   |
| Special Assistant to the Chairman | Kuo-Rong Chen  | 6,484       | 778   | 432                              | 432   | 0                                  | 193   | 0          | 0.31%  | 0.31%       | 0   | 0   | Nil   |
| Senior Vice President             | Hatanaka Keiji |             |   | 886                              | 886   |                                    |   |            |  |             |   |   |   |

## Compensation Range Table

| The Compensation Range for General Managers and Vice General Managers of the Company | Number of President and Senior Vice President |                                |
|--|---|--------------------------------|
|  | The Company                                   | The Company                    |
| Less than NT2,000,000  |   |                                |
| NT2,000,000 ~ NT5,000,000  |   |                                |
| NT5,000,000 ~ NT10,000,000   | Kuo-Rong Chen · Hatanaka Keiji                | Kuo-Rong Chen · Hatanaka Keiji |
| NT10,000,000 ~ NT15,000,000  | Wen-Rong Tsai                                 | Wen-Rong Tsai                  |
| NT15,000,000 ~ NT30,000,000  |   |                                |
| NT30,000,000 ~ NT50,000,000  |   |                                |
| NT50,000,000 ~ NT100,000,000   |   |                                |
| More than NT100,000,000  |   |                                |
| Total  | 3   | 3                              |

Note (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 778 NTD Thousand

Note 2: The driver payment is disclosed for reference only but not regarded as part of the compensation.

## 4. Manager's Name of the allocated employee bonus and allocation situation

Dec. 31, 2011

Unit: NT Thousand

|                       | Title                             | Name                | Stock Bonus |              |        | Cash Bonus    | Total         | % of Total Amount against Net Profit After Tax |
|-----------------------|-----------------------------------|---------------------|-------------|--------------|--------|---------------|---------------|--|
|                       |                                   |                     | Shares      | Market Price | Amount | Amount        |               |  |
| Manager               | President                         | Wen -Rong Tsay      |             |              |        |               |               |  |
|                       | Special Assistant to the Chairman | Kuo-Rong Chen       |             |              |        |               |               |  |
|                       | Senior Vice President             | Hatanaka Keiji      |             |              |        |               |               |  |
|                       | Vice President                    | Isao Morimoto       |             |              |        |               |               |  |
|                       | Vice President                    | Takeshi Fujiwara    |             |              |        |               |               |  |
|                       | Vice President                    | Leman C.C. Lee      |             |              |        |               |               |  |
|                       | Manager                           | Jiang-Shan Lee      |             |              |        |               |               |  |
|                       | Manager                           | Xin Chen(Note1)     |             |              |        |               |               |  |
|                       | Manager                           | Jin-Zhu Lin         | -           | -            | -      | 1,287 (Note ) | 1,287 (Note ) | 0.03% (Note )                                  |
|                       | Manager                           | Shun-Chi Tsai       |             |              |        |               |               |  |
|                       | Manager                           | Bruce Cheng         |             |              |        |               |               |  |
|                       | Manager                           | Can-Huang Lin       |             |              |        |               |               |  |
|                       | Manager                           | Yu-Jhuo Xie         |             |              |        |               |               |  |
|                       | Manager                           | Chung Clock         |             |              |        |               |               |  |
|                       | Manager                           | Vincent Mao         |             |              |        |               |               |  |
|                       | Manager                           | Wen-Qiang Hu(Note2) |             |              |        |               |               |  |
|                       | Financial Supervisor              | Chao-Yen Liang      |             |              |        |               |               |  |
| Accounting Supervisor | Yan-Jung Kuan                     |                     |             |              |        |               |               |  |

Note : The individual name and title should be disclosed; however, the distribution may be disclosed in summary.

Note 1 : Resigned on April 1, 2011.

Note 2 : Appointed on May 18, 2011.

#### (4) Analysis and Description of the Percentage of Total Remuneration Amount Paid to Directors, Supervisors, President and Senior Vice President against Net Profit after Tax

The percentages of the total remuneration amount paid to the company's directors, supervisors, general managers and vice general managers against the net profit after tax are respectively compared and analyzed, and the relationship among the policies, standards and combinations of compensation payment, the procedures of the compensation establishment and the operational performance is also described.

Unit: NTD Thousand

| Title                               | 2011 year                 |                      |  | 2010 year                 |                      |  |
|-------------------------------------|---------------------------|----------------------|--|---------------------------|----------------------|--|
|                                     | Total Compensation (Note) | Net Profit After Tax | % of Total Remuneration against Net Profit after Tax | Total Compensation (Note) | Net Profit After Tax | % of Total Remuneration against Net Profit after Tax |
| Director                            | 12,000                    | 3,831,565            | 0.31%  | 12,000                    | 2,883,898            | 0.42%  |
| Supervisor                          | 3,600                     | 3,831,565            | 0.09%  | 3,600                     | 2,883,898            | 0.12%  |
| President and Senior Vice President | 12,848                    | 3,831,565            | 0.34%  | 15,282                    | 2,883,898            | 0.53%  |
| Total                               | 28,448                    | 3,831,565            | 0.74%  | 30,882                    | 2,883,898            | 1.07%  |

Note : Compensation includes the company and all consolidated companies

The company's directors and supervisors should receive a total of NTD 100,000 (including transportation allowances) per month. The chairman's remuneration should be paid according to the negotiation of the authorized Board of Directors in terms of his participation frequency in the company's operation and the contributions without exceeding the standard of the highest salary level established by the company.

The company's overall compensation combinations mainly include three parts: basic salaries, rewards and welfare. For the payment standards, basic salaries are appraised based on the employees' market quotations of their served posts; rewards are granted for the employees' and the departments' achievement of goals or the company's operation performance; as for the setting of welfare, welfare measures the employees can share are designed to conform to regulations as well as cater for the employees' needs.

### 3. Operation of Corporate Governance

#### (1) Operational Status of the Board of Directors

There have been 5 annual meetings held for the Board of Directors recently. The attendance of directors and supervisors is as follows:

| Title  | Name                       | Number of Times for Actual Attendance | Number of Times for Authorized Attendance | % of Actual Attendance | Note                        |
|--|----------------------------|---------------------------------------|---|------------------------|-----------------------------|
| Corporation Director                             | Yulon Motor Co., Ltd.      |                                       |   |                        |                             |
| Corporation Director Representative and Chairman | Kenneth K.T. Yen           | 5                                     | 0   | 100%                   |                             |
| Corporation Director Representative              | Yi-Cheng Liu               | 5                                     | 0   | 100%                   |                             |
| Corporation Director Representative              | Kuo-Rong Chen              | 4                                     | 0   | 80%                    |                             |
| Corporation Director Representative              | Wen-Rong Tsay              | 5                                     | 0   | 100%                   | Appointed on March 21, 2011 |
| Corporation Director                             | Nissan Motor Co., Ltd.     |                                       |   |                        |                             |
| Corporation Director Representative              | Takashi Nishibayashi       | 0                                     | 5   | 0%                     | Appointed on March 21, 2011 |
| Corporation Director Representative              | Hatanaka Keiji             | 4                                     | 0   | 80%                    |                             |
| Corporation Director Representative              | Isao Morimoto              | 5                                     | 0   | 100%                   |                             |
| Corporation Director Representative              | Mitsuhide Nakao            | 3                                     | 2   | 60%                    |                             |
| Independent Director                             | Tsung-Jen Huang            | 3                                     | 1   | 60%                    |                             |
| Independent Director                             | Robert Mao                 | 1                                     | 3   | 20%                    |                             |
| Corporation Supervisor                           | Yu Ching Business Co., Ltd |                                       |   |                        |                             |
| Corporation Supervisor Representative            | Kuan-Tao Lee               | 2                                     | 0   | 40%                    |                             |
| Supervisor                                       | Nagano Masaya              | 0                                     | 0   | 0%                     |                             |
| Independent Supervisor                           | Qing-Zhi Yen               | 0                                     | 0   | 0%                     |                             |

Other Notes:

1. The content listed in Article 14-3 of the Stock Exchange Law and other recorded or written resolutions of the meetings of the Board of Directors, which are objected or retained by independent directors, should specify the dates, terms, motion content, all of the independent directors' comments and the company's handling of these comments: Nil.
2. The directors' execution status of interest relationship motion avoidance should specify the directors' names, the motion content, the reasons of interest avoidance and the status of resolution participation: Nil.
3. The goals for strengthening the functions of the Board of Directors in the fiscal year and the recent fiscal year (e.g., establish an audit committee, increase information transparency, etc.) and the evaluation of the operation status: Nil.

#### (2) Operational Status of the Audit Committee: Nil

### (3) The attendance of directors and supervisors and Operational Status of the Board of Directors

There have been 5 annual meetings held for the Board of Directors recently. The attendance is as follows:

| Title                                    | Name                       | Number of Times for Actual Attendance | % of Actual Attendance | Note |
|--|----------------------------|---------------------------------------|------------------------|------|
| Natural Person Supervisor                | Yu Ching Business Co., Ltd |                                       |                        |      |
| Natural Person Supervisor Representative | Kuan-Tao Lee               | 2                                     | 40%                    |      |
| Supervisor                               | Nagano Masaya              | 0                                     | 0%                     |      |
| Independent Supervisor                   | Qing-Zhi Yen               | 0                                     | 0%                     |      |

Other items that should be stated:

1. Composition and Duties of Supervisors:

(1) Communication between the Supervisor(s) and the Company's employee(s) and/or shareholder(s) (e.g. communication channel and the way of communication): NIL

(2) Communication between the Supervisor(s) and Superintendent of Internal Audit and Certified Public Accountant (e.g., communication items, method and results in respect to the Company's financial and business status): NIL

2. If a Supervisor attends the Board meeting and express his/her opinion, it is required to record the date and term of the Board meeting, content of the proposal discussed and resolution thereof and the action taken by the Company to reflect such Supervisor's opinion: NIL

### (4) The difference in contrast to the operation of corporate governance and the listed / OTC company's corporate governance codes of practice and reasons

| Item  | Operation  | The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons |
|---|--|---|
| I. Ownership structure and shareholders' equity   |  |   |
| (1) The method of the company handling the Shareholders Suggestions or Disputes   | With regard to the suggestions of the shareholders or doubts, aside from having established a spokesman, acting spokesman, the company has also entrusted the Yulon Motor Company, Ltd., stock exchange unit to process and handle the situation at any time.                              | Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.  |
| (2) Company has captured the major shareholders who are actually controlling the company and the name list of the last controller of the major shareholders | Always capture the major shareholders who are actually controlling the company and the last controller name list of the major shareholders, and report the movement data in accordance with the Regulations governing the Listed Company Information Reporting Process.                    | Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.  |
| (3) Company builds a mechanism to control the risk with its affiliates and a fire wall method   | The company and its affiliates have instituted "Obtaining or disposing assets processing procedure", "Capital Loan and Others Processing Procedure" and "Endorsement Processing Procedure", the risk control mechanism and the fire wall between each other have already been established. | Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.  |

| Item   | Operation  | The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons   |
|--|--|---|
| <p>II. Organizing of Board of Directors and Responsibilities</p> <p>(1) The situation of company setting up Independent Directors</p> <p>(2) The situation of company setting up Independent Directors</p>   | <p>There are 2 independent director among the total of 10 Directors in the company, each Director exercises the director's responsibilities in accordance with the Company's Act and the Company By-Laws, Board of Directors Meeting Rules and other regulations stipulated in the relevant laws.</p> <p>Periodical Evaluation.</p>  | <p>Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p> <p>Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p> |
| <p>III. The situation of building up a communication channel with the relevant persons</p>   | <p>If there is a demand, each relevant person can contact the relevant department and unit in the company at anytime, the communication channel is always smooth.</p>  | <p>Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p>   |
| <p>IV. Information Disclosure</p> <p>(1) The compnay's website reveals the financial business and corporate governance information</p> <p>(2) The company utilizes other information revealing methods (such as: building up English Website, designate personnel to take charge of accumulating and revealing company's informations, implement the spokesman system, and place the legal person briefing session on the company's website)</p> | <p>This company has a website address at: <a href="http://www.nissan.com.tw">http://www.nissan.com.tw</a>, and has designated personnel to take charge of accumulating and revealing company's information. And reveal all the relevant information at the Disclosing Informaiton Obervation Site and at the company's website periodically or non-scheduled.</p> <p>Aside from setting up a spokesman and acting spokesman and thoroughly implemented in accordance with regulations, a Legal Person Briefing Session sill also be held on non-scheduled and disclose the information in accordance with the regulations.</p> | <p>Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p> <p>Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p> |
| <p>V. The company has a Reviewing Committee functions and the operating situation of the committee</p>   | <p>The Company established a Remuneration Committee in Dec, 26 2011, See ( 5 )Remuneration Committee</p>   | <p>I Conformed to the regulations governed in the listed /OTC company's corporate governance codes of practice.</p>   |



| Item | Operation  | The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons |
|------|--|---|
|      | <p>VI. If the company has instituted corporate governance codes of practice in accordance with the 'Listed / OTC Company's Corporate Governance Codes of Practice', please describe the difference of its operation with the company governance code of practice being instituted:</p> <p>Although the company has not instituted corporate governance codes of practice in accordance with the 'Listed / OTC Company's Corporate Governance Codes of Practice', but based on the described 'Difference in Contrast to the Operation of the Listed / OTC Company's Corporate Governance Codes of Practice and Reasons', this company is already operating in accordance with the corporate governance spirit and has implemented the corporate governance relevant scope. In the future, aside from continuing to strengthen the information transparency and the supervisor's functions, the company will also discuss and institute the 'Corporate Governance Codes of Practice'.</p>  |   |
|      | <p>VII.</p> <ol style="list-style-type: none"> <li>1. Employee's Rights and Interests and Employee Care: Please refer to V. Highlights of Operation, Item 5 Labor-Capital Relation.</li> <li>2. Investor Relations: Please refer to IV. Information Disclosure</li> <li>3. Supplier Relationship: The third-party meeting is held every year. In the meeting, training and communication of spare parts supply are held.</li> <li>4. Rights of Interested Party: If necessary, any interested party may contact the respective department and unit. The communication channel is smooth and easy.</li> <li>5. The Status Regarding the Advanced Study of Directors and Supervisors: The Company's directors and supervisors are all equipped with relevant professional knowledge and also take training in accordance with the Sample of the Practical Key Points Governing the Advance Study of Directors and Supervisors of Listed or OTC Companies. The Company will enact the advance training system based on actual needs and arrange the directors and supervisors to take lessons in relation to the professional knowledge of the applicable law, finance and corporate governance.</li> <li>6. Risk Management Policy and Implementation of Risk Evaluation Standard: N/A</li> <li>7. The Status of the Company Buying Liability Insurance for Directors and Supervisors: Currently, the scope of insurance and its necessity are under evaluation. After understood and completion of the evaluation, such proposal will be submitted to the meeting of the Board of Directors for discussion and approval.</li> </ol> |   |
|      | <p>VIII. Company governance self-evaluation report or company governance evaluation report done by an authorized professional organization: Nil</p>  |   |

**(5) Remuneration Committee:**

**Remuneration Committee is to set up and review the performance evaluation of directors, auditors and managers, and the policy, system, criteria and framework of remuneration. The Committee also evaluate and establish remuneration system regularly.**

**There are 3 members in the Remuneration Committee. They are Mr. Tsung-Jen Huang, Mr. Robert Mao and Mr. Yun-Hua Yang. No meeting was held until the end of March, 2012.**

**(6) Implementing Corporate Social Responsibility:**

| Item   | Operation  | The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons               |
|--|--|---|
| <p>1. Implementing the Promotion of Corporate Governance</p> <p>(1) Enacting the corporate social responsibility policy or system by the Company and review the implementation result</p> <p>(2) The operation status of the Corporate Social Responsibility Office established by the Company</p> <p>(3) The status of the corporate ethic training and promotional activities for directors, supervisors and employees Company held by the Company on a regular time schedule and integration such training and promotion into the employee performance appraisal system; setting up clear, definite and effective award and punishment system</p>   | <p>Not prepared yet</p> <p>Not established yet</p> <p>Promoting the corporate ethic activities without a fixed time schedule</p>   | <p>Compliance with the spirit of the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies</p> |
| <p>2. Developing Sustainable Environment</p> <p>(1) The status of enhancing the using efficiency of various resources and using the recycled materials with low environmental impact</p> <p>(2) The status of suitable environment management system adopted by the Company in accordance with its industrial characteristics</p> <p>(3) The status of maintaining environment by setting up environment management responsible unit or person(s)</p> <p>(4) The Company keeps eyes on the weather impact on the business operation activities by the Company and adopts the energy saving, low-carbon and the greenhouse gas mitigation strategy</p>  | <p>Actively developing electric vehicle market and fulfill the source separation and recycle</p> <p>Has obtained the ISO 14001 verification in November 2004</p> <p>Has established environment safety team to fulfill the environment protection</p> <p>Actively developing electric vehicle products, market and build up charging stations for electric vehicles</p> <p>Negotiating with county/city governments to procure electric vehicles as official vehicles</p>  | <p>Compliance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies</p>               |
| <p>3. Maintaining Social Welfare</p> <p>(1) The status of complying with the applicable labor regulations, protection of employees' legitimate rights and interests and setting up appropriate management method and procedure</p> <p>(2) The status of providing a safe and healthy working environment for employees and giving safety and health education to employees on a regular time schedule</p> <p>(3) The status of the enactment and announcement of the consumer rights and interests policy and providing transplant and effective consumer complaints handling system for its products and services</p> <p>(4) The status of the Company's cooperation with the suppliers to commonly endeavor to enhance its corporate social responsibility</p> <p>(5) The status of the Company's participation in the activities related to community development and charitable organizations through commercial activities, donation in kind, corporate volunteering and other free professional services</p> | <p>Holding labor-management meetings on a regular time schedule and setting up complaints handling system</p> <p>Setting up employee clinic and holding seminar for health and fire safety without a fixed time schedule</p> <p>Promising a new car with quality warranty of three years or 100,000 Km and setting up 24-hour service line</p> <p>Holding third-party meetings on a regular time schedule, promoting the social responsibility and energy saving and low-carbon concept</p> <p>Actively participating in social welfare activities; has donated the social welfare organizations \$13,859,300.</p> | <p>Compliance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies</p>               |

| Item  | Operation   | The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons               |
|---|---|---|
| <p>4. Strengthening Information Disclosure</p> <p>(1) The method that the Company discloses the critical and reliable information related to the corporate social responsibility</p> <p>(2) The status of the Company's reparation of corporate social responsibility report disclosing the promotion of corporate social responsibility</p>  | <p>The Company has disclosed relevant information via the Company's website at <a href="http://www.nissan.com.tw">http://www.nissan.com.tw</a></p> <p>NIL</p> | <p>Compliance with the spirit of the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies</p> |
| <p>5. If the Company has enacted its code of corporate social responsibility in accordance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies, please describe its operation and the difference from the Code of Practice: NIL</p>   |   |   |
| <p>6. Other important information used to understand the operation status of the corporate social responsibility (e.g. the systems &amp; measures and the implementations thereof in connection with environmental protection, participation in community, social contribution, social services, social welfare, consumer rights and interests, human rights, safety &amp; health and other activities of social responsibility): NIL</p> |   |   |
| <p>7. If the Company's products or corporate social responsibility report have passed the verification by the relevant verification organization, please describe: NIL</p>  |   |   |

**(7) Status of Honest Operation Implemented by the Company and the Adopted Measures:**

The Company upholds the sustainable management concept, fulfills its social responsibility, establishes good management system and risk control mechanism, abides by the applicable laws, regulations and rules, and fulfills the principle of honest operation. The relevant measures are listed below:

1. Directors, supervisors, managerial officers and employees of the Company shall abide by the Securities and Transaction Act, Company Act, Business Entity Accounting Act and other laws and regulations governing the commercial activities and the Company's internal rules, and perform their duties and exercise their authorities honestly and cautiously.
2. The Company's significant operational decision-making, procurement or disposal of assets, lending funds to others, and providing endorsement or guarantee shall be drafted in accordance with applicable laws and regulations and adopted by resolutions of the Board of Directors' Meeting. Further, in order to maintain the accuracy and completeness of the information disclosed to the competent authorities and the investors, the Company has established spokesperson and deputy spokesperson to unify speech.
3. With caring and honest attitude toward shareholders, the Company exercises professional attitude to manage the shareholders' investment so as to create the maximum value for our shareholders. For employees, the Company cares about employees' health and safety, listens to employees, faces employees' complaints and problems in good faith, encourages employees and assists them in developing the relevant technique and knowledge for sustainable operation while providing them with permanent employment opportunity.

**(8) The consulting method regarding the Company's code of corporate governance and the relevant rules, and other important information used to understand the operation status of the corporate governance: NIL**

## (9) Internal Control System Execution Status

### 1. Statement of Internal Control System

Yulon Nissan Motor Co., Ltd.  
Statement of Internal Control System

Date: March 23, 2012

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self-check of internal control for the period of January 1, 2009 to December 31, 2009. The results are as follows:

1. Yulon Nissan acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established at Yulon Nissan. The purposes of the Internal Control System is to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance and safeguard of assets, and etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. Yulon Nissan also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three aforementioned goal. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the Guidelines for the Establishment of Internal Control System by Public Companies (the "Guidelines"). The said Guidelines divide internal control into five components: (1) Control Environment, (2) Risk Assessments, (3) Control Operations, (4) Information and Communication, and (5) Monitoring. Each component comprises certain factors. More information regarding the said factors is available in the aforesaid Guidelines.
4. Yulon Nissan has assessed and evaluated the design and effectiveness in the design and performance of the aforementioned system.
5. Based upon the evaluation of the aforementioned system, Yulon Nissan considered the Internal Control System during the opening period (including supervision and management of subordinates), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals can reasonably reached.
6. The Statement of Internal Control System will be a prominent feature of Yulon Nissan annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Exchange Law shall apply.
7. This Statement of Internal Control System has been approved by Yulon Nissan Board of Directors at the meeting of March 23, 2012 with 10 directors present at the meeting and none disagreeing with this Statement of Internal Control System.

Yulon Nissan Motor Co., Ltd.

Chairman: Kenneth K. T. Yen

President: Wen-Rong Tsai

### 2. Project Examination Report of Internal Accountant Control System: Nil

**(10) Company or employees, who have been penalized by law, or employees received penalties from company for violating the regulations of Internal Control System, major shortcomings and status of improvements in fiscal year 2011 and prior to the publication date of the annual report: Nil**

**(11) Major resolutions made by the Shareholders Meeting and Board of Directors Meeting in fiscal year 2011 and prior to the printing date of annual report**

| Title of Meeting     | Date of Meeting | Important Resolutions  |
|----------------------|-----------------|--|
| Board of Directors   | March 22, 2011  | <ol style="list-style-type: none"> <li>1. Passed "change of company's CPA"</li> <li>2. Acknowledged the Operating Report and Financial Report for fiscal year 2010.</li> <li>3. Passed 2011 operational target</li> <li>4. Passed the Company's surplus distribution for fiscal year 2010 ; each stock is issued with a total of NTD 5.6 as a cash dividend</li> <li>5. Passed to convene the Company's Shareholders General Meeting 2011.</li> <li>6. Passed to modify management system "Insider Trading Prevention".</li> <li>7. Passed to modify "Operating Procedures for Assets Acquisition and Disposal".</li> <li>8. Passed Company's Internal Control Statement of 2010.</li> </ol> |
| Shareholders Meeting | June 23, 2011   | <ol style="list-style-type: none"> <li>1. Passed to acknowledge the Company's final statement of fiscal year 2010.</li> <li>2. Passed the Company's surplus distribution list for fiscal year 2010; each stock is issued with a total of NTD 5.6</li> <li>3. Passed the amendment of the Company's "Operation Procedures of Endorsement".</li> <li>4. Passed the amendment of the Company's "Operation Procedures of Loaning Capital to Other Parties".</li> <li>5. Passed to modify ".Operation Procedures of Assets Acquisition and Disposal".</li> </ol>  |
| Board of Directors   | June 23, 2011   | <ol style="list-style-type: none"> <li>1. Passed ex-dividend date for 2010 cash dividend..</li> <li>2. Passed to modify Request for approval of the related chapters of Modification of "Stocks affair Internal Control System" and "Stocks affair Internal Audit Implementation Rules".</li> </ol>  |
| Board of Directors   | August 31, 2011 | <ol style="list-style-type: none"> <li>1. To resolve the first half of 2011 audited financial report.</li> <li>2. Approve the capital injection of the indirect investments corporation" Aeolus Automobile Co., Ltd .</li> <li>3. Approve to sale of shareholding in Dongfeng Yulon Motor Sales Co., Ltd</li> </ol>  |
| Board of Directors   | Nov 17, 2011    | <ol style="list-style-type: none"> <li>1. Agreed to RMB 49 million indirect investment in mainland China, Capital increase of the Aeolus Automobile Co., Ltd. case.</li> <li>2. Agree to RMB 49 million sale of the Company's indirect investment in mainland China Dongfeng Yulon Motor Sales Co., Ltd. equity case.</li> <li>3. Approval from Board of Directors to authorize President Tsay to represent as joint guarantor for Intelligent EV Pilot Program of Industrial Development Bureau of Ministry of Economic Affairs..</li> </ol>  |
| Board of Directors   | Dec 16, 2011    | <ol style="list-style-type: none"> <li>1. Agree to established Remuneration Committee.</li> <li>2. Approval of "Annual Auditing Plan in 2012".</li> </ol>  |
| Board of Directors   | Mar 23, 2012    | <ol style="list-style-type: none"> <li>1. Acknowledged the Operating Report and Financial Report for fiscal year 2011.</li> <li>2. Passed the fifth session of the directors and supervisors election case.</li> <li>3. Passed to convene the Company's Shareholders General Meeting 2012.</li> <li>4. Passed to modification of articles NO.31 and NO.35 of incorporation.</li> <li>5. Passed Company's Internal Control Statement of 2011.</li> <li>6. Passed to modify the "Annual Auditing Plan in 2012".</li> <li>7. Resolve to modify the Company's "Internal control and management system".</li> </ol>   |
| Board of Directors   | April 30, 2012  | <ol style="list-style-type: none"> <li>1. Passed the Company's surplus distribution for fiscal year 2011 ; each stock is issued with a total of NTD 10.2 as a cash dividend</li> <li>2. Passed 2012 operational target and budget plan</li> <li>3. Passed the candidate nomination for the election of individual director year 2012</li> <li>4. Passed releasing the prohibition of the fifth business strife that managers shall not act as another company.</li> </ol>  |

**(12) Major Issues on record or written statements made by any director or supervisor which specified his/her dissent to important resolutions passed by the Board of Directors Meeting during fiscal year 2012 and prior to the publication date of the annual report: Nil**

**(13) Personage Resignation and Post Removal Status Related to the Financial Report during Fiscal Year 2011 and Prior to the Publication Date of the Annual Report: The account supervisor changed from Mr. Chao-yen Liang to Mr. Yan-JungKuan since Feb 09, 2011.**

#### 4. Information on Accountant fees

##### (1) Audit fees information:

| CPA firms                     | CPA's Name          |            | Audit Period          | Note |
|-------------------------------|---------------------|------------|-----------------------|------|
| Deloitte & Touche<br>CPA Firm | Chien-Hsin<br>Hsieh | En-Ming Wu | 2011.01.01-2011.12.31 |      |

Unit: NTD Thousand

| Compensation Range |                          | Fee Item | Audit Fee | Non-Audit Fee | Total Amount |
|--------------------|--------------------------|----------|-----------|---------------|--------------|
| 1                  | Less than NT2,000,000    |          |           |               |              |
| 2                  | NT2,000,000~NT4,000,000  |          |           |               |              |
| 3                  | NT4,000,000~NT6,000,000  |          |           |               |              |
| 4                  | NT6,000,000~NT8,000,000  |          |           |               |              |
| 5                  | NT8,000,000~NT10,000,000 |          | v         |               |              |
| 6                  | More than NT10,000,000   |          |           |               |              |

- (2) Amount of audit and non-audit fees and content of non-audit services: N/A.**
- (3) The change of CPA firms and the audit fees after change is lower than that before change, the reduced amount, proportion and reason: N/A.**
- (4) The audit fees after change is more than 15% lower than that before change, the reduced fee amount, proportion and reason: N/A.**

**5. Information on Change of CPAs**

- (1) Information of the Previous CPA: N/A.**
- (2) Information of the Successive CPA: N/A.**
- (3) Previous CPAs' reply of article 10-5-1 and 10-2-3 of Guidelines Governing the Preparation of Financial Reports by Securities Issuers: N/A.**

**6. Upon the Company's chairman, general manager or financial/ accounting manager employed by the Verifying CPA firm within one year, the name, the position, and time period in the CPA firm or its affiliates should be disclosed: N/A.**

**7. Changes of Share and Share Collateralizing for Directors, Supervisors, Managers and Shareholders with over 10% of shares held during the 2011 fiscal year and prior to the publication date of the annual report**

## (1) Changes of Share for Directors, Supervisors, Managers and Major shareholders

Unit: Thousand Share

| Title                             | Name   | Fiscal year 2011                               |   | Current Fiscal Year and before April 30, 2012  |   |
|-----------------------------------|--|--|---|--|---|
|                                   |  | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized |
| Corporation Chairman              | Yulon Motor Co., Ltd.  | -  | -   | -  | -   |
| Chairman                          | Yulon Motor Co., Ltd.<br>Representative: Kenneth K.T. Yen          | -  | -   | -  | -   |
| Director                          | Yulon Motor Co., Ltd.<br>Representative: Yi-Cheng Liu              | -  | -   | (7)  | -   |
| Director                          | Yulon Motor Co., Ltd.<br>Representative: Kuo-Rong Chen             | -  | -   | -  | -   |
| Director                          | Yulon Motor Co., Ltd.<br>Representative: Hsin-Fa Wu<br>(Note 1)    | -  | -   | -  | -   |
| Director                          | Yulon Motor Co., Ltd.<br>Representative: Wen-Rong Tsai<br>(Note 2) | -  | -   | -  | -   |
| Corporation Director              | Nissan Motor Co., Ltd.   | -  | -   | -  | -   |
| Director                          | Nissan Motor Co., Ltd.<br>Representative: Takashi Nishibayashi     |  |   |  |   |
| Director                          | Nissan Motor Co., Ltd.<br>Representative: Hatanaka Keiji           |  |   |  |   |
| Director                          | Nissan Motor Co., Ltd.<br>Representative: Isao Morimoto            |  |   |  |   |
| Director                          | Nissan Motor Co., Ltd.<br>Representative: Mitsuhide Nakao          | -  | -   | -  | -   |
| Natural Person Supervisor         | Yu Ching Business Co., Ltd.  | -  | -   | -  | -   |
| Supervisor                        | Yu Ching Business Co., Ltd.<br>Representative: Kuan-Tao Lee        | -  | -   | -  | -   |
| Independent Director              | Tsung-Jen Huang  | -  | -   | -  | -   |
| Independent Director              | Robert Mao   | -  | -   | -  | -   |
| Independent Supervisor            | Qing-Zhi Yen   | -  | -   | -  | -   |
| Supervisor                        | Nagano Masaya  | -  | -   | -  | -   |
| President                         | Wen-Rong Tsai  | -  | -   | -  | -   |
| Special Assistant to the Chairman | Kuo-Rong Chen  | -  | -   | -  | -   |
| Senior Vice President             | Hatanaka Keiji   | -  | -   | -  | -   |
| Vice President                    | Morimoto Isao  | -  | -   | -  | -   |



| Title               | Name                 | Fiscal year 2011                               |   | Current Fiscal Year and before April 30, 2012  |   |
|---------------------|----------------------|--|---|--|---|
|                     |                      | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized | Number of holding Shares Increased (Decreased) | Increased (Decreased) Number of Shares Collateralized |
| Vice President      | Takeshi Fujiwara     |  |   |  |   |
| Vice President      | Leman C.C. Lee       | -  | -   | -  | -   |
| Manager             | Jiang-Shan Lee       | -  | -   | -  | -   |
| Manager             | Xin chen (Note3)     | -  | -   | -  | -   |
| Manager             | Jin-Zhu Lin          | -  | -   | -  | -   |
| Manager             | Shun-Chi Tsai        | -  | -   | -  | -   |
| Manager             | Bruce Cheng          | -  | -   | 5  | -   |
| Manager             | Can-Huang Lin        | -  | -   | -  | -   |
| Manager             | Yu-Jhuo Sie          | -  | -   | -  | -   |
| Manager             | Chung Clock          | -  | -   | -  | -   |
| Manager             | Vincent Mao          | -  | -   | -  | -   |
| Manager             | Wen-Qiang Hu (Note4) |  |   |  |   |
| Financial Executive | Chao-Yen Liang       | -  | -   | -  | -   |
| Account supervisor  | Yan-Jung Kuan        | -  | -   | -  | -   |

Note 1 : Resigned on March 20, 2011.

Note 2 : Appointed on March 21, 2011.

Note 3 : Resigned on April 1, 2011.

Note 4 : Appointed on May 18, 2011.

**(2) Information of Share Changes: Nil**

**(3) Information of Share Collateralizing: Nil**

**8. Information of Relationship among Shareholders with Shareholding Percentage as the Top 10, who are mutually related to the Regulations of Communique' No.6 of the Financial Accounting Criteria:**

The Information of Shareholders with Shareholding Percentage as the Top 10, who are Mutually Related

| Name                            | Shareholding of the Person |                    | Shareholding of Spouse and Underage Children |                    | Shareholdings in the Names of Others |                    | Parties, their Names and Relationship for the Top 10 Shareholders who are Mutually Related to the Regulations of Communiqué No.6 of the financial Accounting Criteria |   | Note                                |
|---------------------------------|----------------------------|--------------------|--|--------------------|--------------------------------------|--------------------|---|---|-------------------------------------|
|                                 | Number of Shares           | Share holding Rate | Number of Shares                             | Share holding Rate | Number of Shares                     | Share holding Rate | Name  | Relationship                                  |                                     |
| Yulon Motor Co., Ltd.           | 143,500,000                | 47.83              | -  | -                  | -                                    | -                  | Yu Ching Business Co., Ltd.<br>Sin Chi Co., Ltd.  | Subsidiary<br>Subsidiary                      | Director                            |
| Kenneth K.T.Yen                 | -                          | -                  | -  | -                  | -                                    | -                  |   |   | Representative OF Directo           |
| Kuo-Rong Chen                   | 18,000                     | 0.01               | -  | -                  | -                                    | -                  |   |   |                                     |
| Yi-Cheng Liu                    | 43,000                     | 0.01               | -  | -                  | -                                    | -                  |   |   |                                     |
| Wen-Rong Tsai                   | -                          | -                  | -  | -                  | -                                    | -                  |   |   |                                     |
| Nissan Motor Corporation        | 120,000,000                | 40.00              | -  | -                  | -                                    | -                  |   |   | Director                            |
| Takashi Nishibayashi            | -                          | -                  | -  | -                  | -                                    | -                  |   |   | Representative OF Directo           |
| Hatanaka Keiji                  | -                          | -                  | -  | -                  | -                                    | -                  |   |   |                                     |
| Isao Morimoto                   | -                          | -                  | -  | -                  | -                                    | -                  |   |   |                                     |
| Mitsuhide Nakao                 | -                          | -                  | -  | -                  | -                                    | -                  |   |   |                                     |
| YUE-SIA WANG                    | 3,630,000                  | 1.21               | -  | -                  | -                                    | -                  |   |   | Non-juristic person, not applicable |
| Yu Ching Business Co., Ltd.     | 3,500,000                  | 1.17               | -  | -                  | -                                    | -                  | Yulon Motor Co., td.<br>Sin Chi Co., Ltd.   | Mother Company<br>Subsidiary of Nissan Motors | supervisors                         |
| Kuan-Tao Lee                    | -                          | -                  | -  | -                  | -                                    | -                  |   |   | Representative OF supervisors       |
| WEI-JIE HUANG                   | 3,232,000                  | 1.08               | -  | -                  | -                                    | -                  |   |   | Non-juristic person, not applicable |
| Sin Chi Co., Ltd.               | 3,050,000                  | 1.02               | -  | -                  | -                                    | -                  | Yulon Motor Co., td.<br>Yu Ching Business Co., Ltd.   | Parent ompany<br>Subsidiary of Nissan Motors  | Kuo-Rong Chen                       |
| Wei Wen Investment Co., Ltd.    | 1,880,000                  | 0.63               | -  | -                  | -                                    | -                  | Person in Charge of the Company: Jian Lin Zhu   |   | Person In Charge : Jerry Chu        |
| Wei Tai Investment Co., Ltd.    | 1,809,000                  | 0.60               | -  | -                  | -                                    | -                  | Person in Charge of the Company: Jian Lin Zhu   |   | Person In Charge : Jerry Chu        |
| Lo-Wen Enterprises Co., Ltd     | 1,500,000                  | 0.50               |  |                    |                                      |                    |   |   | Person In Charge : Jerry Chu        |
| Nanshan Life Insurance Co., Ltd | 987,000                    | 0.33               | -  | -                  | -                                    | -                  |   |   | Person In Charge Wun-DE Guo         |

**9. The number of shares held by the company, the company's directors, supervisors, managers and its directly or indirectly controlled business toward the same reinvestment businesses, as well as the combined calculated shareholding percentage**

Unit : number of shares:%

| Reinvested Companies                 | Invested from Yulon Nissan Motor Co., Ltd. |            | Invested from directors, supervisors and managers, or companies that are directly or indirectly controlled by Yulon Nissan |            | Total investment |            |
|--------------------------------------|--|------------|--|------------|------------------|------------|
|                                      | Shares                                     | Percentage | Shares   | Percentage | Shares           | Percentage |
| Yi-Jan Overseas Investment Co., Ltd. | 84,986,756                                 | 100%       | -  | -          | 84,986,756       | 100%       |

## | IV 、 Capital Raising Status |

### 1. Capital and Shares

#### (1)Source of Share Capital

##### 1.Source of Share Capital

Unit : Thousand Shares : NTD : Thousand Dollars

| Year<br>Month | Par<br>Value | Authorized Capital |           | Paid-up Capital Stock |           | Remark                                 |  |       |
|---------------|--------------|--------------------|-----------|-----------------------|-----------|--|--|-------|
|               |              | Shares             | Amount    | Shares                | Amount    | Source of<br>Share Capital             | Invested with<br>Assets Other<br>than Cash | Other |
| 2003/10       | 10           | 600,000            | 6,000,000 | 300,000               | 3,000,000 | Separately<br>Established<br>3,000,000 | -  | Note  |

Note :Approved in the letter No. Shang-Zi-Di 09201296600, dated October 22,2003

##### 2.Class of Shares

Unit : Thousand Shares

| Class of Shares | Authorized Capital |                  |         | Remark |
|-----------------|--------------------|------------------|---------|--------|
|                 | Issued             | Unissued Capital | Total   |        |
| Common Stock    | 300,000(Listed)    | 300,000          | 600,000 | -      |

##### 3.Securities under the sum-up reporting method : N/A

#### (2)Structure of Shareholders

April 30, 2012

| Structure of<br>Shareholders<br>Quantity(Qty) | Governmental<br>Institution | Financial<br>Institution | Other<br>Institution | Natural Person | Foreign<br>Institutional and<br>Natural Person | Total       |
|---|-----------------------------|--------------------------|----------------------|----------------|--|-------------|
|   | Number                      | 1                        | 8                    | 77             | 1,967  | 25          |
| Shares  | 414,000                     | 1,397,384                | 162,253,522          | 14,655,360     | 121,279,734                                    | 300,000,000 |
| Percentage                                    | 0.14                        | 0.46                     | 54.08                | 4.89           | 40.43  | 100.00      |

**(3) Status of Ownership Dispersion**

Par value per share: NTD 10.00

April 30, 2012

| Shareholding class  | No. of shareholders | Shares      | Percentage |
|---|---------------------|-------------|------------|
| 1 ~ 999   | 268                 | 10,972      | 0.00%      |
| 1,000 ~ 5,000   | 1,560               | 2,558,536   | 0.85%      |
| 5,001 ~ 10,000  | 96                  | 796,000     | 0.27%      |
| 10,001 ~ 15,000   | 26                  | 327,138     | 0.11%      |
| 15,001 ~ 20,000   | 20                  | 369,000     | 0.12%      |
| 20,001 ~ 30,000   | 16                  | 418,354     | 0.14%      |
| 30,001 ~ 40,000   | 13                  | 478,000     | 0.16%      |
| 40,001 ~ 50,000   | 7                   | 320,000     | 0.11%      |
| 50,001 ~ 100,000  | 28                  | 2,140,000   | 0.71%      |
| 100,001 ~ 200,000   | 18                  | 2,760,000   | 0.92%      |
| 200,001 ~ 400,000   | 9                   | 2,557,000   | 0.85%      |
| 400,001 ~ 600,000   | 3                   | 1,355,000   | 0.45%      |
| 600,001 ~ 800,000   | 4                   | 2,822,000   | 0.94%      |
| 800,001 ~ 1,000,000   | 1                   | 987,000     | 0.33%      |
| Make a self classification based on the actual situation when above 1,000,001 | 9                   | 282,101,000 | 94.04%     |
| Total   | 2,078               | 300,000,000 | 100.00%    |

**(4) List of Major Shareholders**

| Names of Major shareholders     | No. of shares | Shares      | Percentage % |
|---------------------------------|---------------|-------------|--------------|
| Yulon Motor Co., Ltd.           |               | 143,500,000 | 47.83        |
| Nissan Motor Co., Ltd.          |               | 120,000,000 | 40.00        |
| YUE-SIA WANG                    |               | 3,630,000   | 1.21         |
| Yu Ching Business Co., Ltd.     |               | 3,500,000   | 1.17         |
| WEI-JIE HUANG                   |               | 3,232,000   | 1.08         |
| Sin-Chi Co., Ltd.               |               | 3,050,000   | 1.02         |
| Wei Wen Investment Co., Ltd.    |               | 1,880,000   | 0.63         |
| Wei Tai Investment Co., Ltd.    |               | 1,809,000   | 0.60         |
| Lo-Wen Enterprises Co., Ltd.    |               | 1,500,000   | 0.50         |
| Nanshan Life Insurance Co., Ltd |               | 987,000     | 0.33         |

### (5) Information about Market Price per share, Net Value, Earnings, Dividends and Related Information in Recent 2 Years

| Item  |                                   | Fiscal Year |             | Current Fiscal Year<br>and before March<br>31, 2012 |
|---|-----------------------------------|-------------|-------------|---|
|   |                                   | 2010 year   | 2011 year   |   |
| Market value<br>Per share                   | Highest                           | 171.50      | 158         | 251.0   |
|   | Lowest                            | 56.50       | 87.6        | 123.5   |
|   | Average                           | 100.51      | 122.88      | 198.06  |
| Net Assets<br>Per share                     | Before distribution               | 57.22       | 65.21       | 67.00   |
|   | After distribution                | 51.62       | -           | -   |
| EPS(Earning<br>Per Share)                   | Weighted average number of shares | 300,000,000 | 300,000,000 | 300,000,000   |
|   | EPS(Earning Per Share)            | 9.61        | 12.77       | 3.38  |
| Dividend<br>Per share                       | Cash Dividend                     |             | 5.6         | -   |
|   | Stock<br>Dividend                 | -           | -           | -   |
|   |                                   | -           | -           | -   |
|   | Cumulative un-paid dividend       |             | -           | -   |
| Analysis on<br>ROI(Return on<br>Investment) | Price-Earnings(P/E) Ratio         |             | 10.46       | 9.62  |
|   | Price-Dividend Ratio              |             | -           | -   |
|   | Dividend Yield                    |             | -           | -   |

### (6) Dividend Policy and Execution Status

#### 1. Dividend Policy governed by this Company By-Laws

If there should have an earnings derived from the company's final reporting of each fiscal year, when distributing the earnings after tax payment, and covering the previous fiscal years losses, it should first allocate a 10% as legal reserved, and if there is remaining, it shall be distributed according to the following:

- (1) 1% ~ 5% as Employee Bonus.
- (2) The Board of Directors shall draft a distribution proposal of the remaining balance together with the accumulated undistributed earnings from the last fiscal year and present it to the Shareholders Meeting final resolution.

This company is in a mature and stable industry. While mapping out our dividend distribution program, we would take the profitability, capital requirement for future operation, possible change in the industry environment, shareholder equity and balance of dividend as well as long-term financial planning into consideration. Dividend would be distributed in cash and stock. Dividend in cash would be declared on profit made for specific fiscal period and shall not be less than 20% of the total dividend declared for the year.

#### 2. The proposal to this Shareholders Meeting for dividend distribution as follows

The proposal to the Shareholders General Meeting for 2012 for the dividend distribution is cash dividend at NT\$10.2 per share.

**(7) The effect of the distribution of stock dividend as proposed by this Shareholders Meeting on operation performance and earning per share : Nil**

**(8) Employee Bonus and Remuneration to the Directors and Supervisors**

1. The percentage or limit for employee bonus and remuneration to the directors and supervisors set forth in the Articles of Incorporation are

If there should have an earnings derived from the company's final reporting of each fiscal year, when distributing the earnings after tax payment, and covering the previous fiscal years losses, it should first allocate a 10% as legal reserved, and if there is remaining, it shall be distributed according to the following:

- (1) 1% ~ 5% as Employee Bonus.
- (2) The Board of Directors shall draft a distribution proposal of the remaining balance together with the accumulated undistributed earnings from the last fiscal year and present it to the Shareholders Meeting final resolution.

Directors and supervisors of the Company may be paid NTD 100,000 (including the transportation allowances) monthly.

2. Information about Proposed Distribution of Employee Bonus as Approved by the Board of Director:

Proposed to distribute employee bonus of NTD41,500,000.

3. The employee's bonus and directors/supervisors' remuneration paid from last fiscal year's earnings are:

Approved from the 4th meeting of 4rd Board of Director held on March 22, 2011, the earnings in fiscal year 2009 allocated as employee bonus were NTD 64,823,570, and the remuneration to the directors/supervisors was zero, as same as the amount paid after Shareholders Meeting.

**(9) This company repurchased Treasury Shares : Nil**

**2. Corporate Bonds issued : Nil**

**3. Preferred Stock issued : Nil**

**4. GDR(Global Depositary Receipt) issued : Nil**

**5. Employee Stock Options issued : Nil**

**6. New shares issued for merger or acquisition : Nil**

**7. Recorded up to the previous one quarter of the Date of the Report is in Printing, previously issued or privately raised marketable securities that are still not completed or the completed and planned benefits but not shown over the recent 3 years : Nil**

# | V · Highlights Of Operations |

## 1. Business Content

### (1) Business Scope

#### 1. Business Scope

(1) Business Content: The company's main operating items include the design, research, development, sales and spare parts of cars products:

A. Passenger Vehicles: Sedan, RV and its components

B. Commercial Vehicles: Diesel Truck, Diesel Chassis and its components

#### (2) Operating weight

Unit : NTD Thousand

| Business Content | Fiscal year 2010 |               | Fiscal year 2011 |               |
|------------------|------------------|---------------|------------------|---------------|
|                  | Amount           | Percentage(%) | Amount           | Percentage(%) |
| Finished cars    | 24,217,899       | 88.21         | 28,581,277       | 89.00         |
| Parts            | 3,167,240        | 11.54         | 3,467,395        | 10.80         |
| Other            | 70,557           | 0.25          | 66,679           | 0.20          |
| Total            | 27,455,696       | 100           | 32,115,351       | 100           |

#### (3) Current main products

##### A. NISSAN brand:

March series: 1.5L 4-speed automatic 5-door sedan

LIVINA series: 1.6L: 4-speed automatic transmission, 5-door sedan; 1.8L: 4-speed automatic transmission, 5-door RV vehicle

TIIDA series: 1.6/1.8L: 4-speed automatic transmission, 4-door sedan and 5-door sedan

BLUEBIRD SYLPHY series: 2.0L all-speed automatic transmission, 4-door sedan

SERENA series: 2.5L 4-speed automatic transmission, 5-door RV vehicle.

TEANA series: 2.0/2.3/3.5L all-speed automatic transmission, 4-door sedan

370Z series: 3.7L imported 6-speed automatic/manual transmission sports car

MURANO series: 3.5L imported all-speed gear-change 4WD Sport Utility Vehicle

ROGUE series: 2.5L imported all-speed gear-change 4WD Sport Utility Vehicle

##### B. INFINITI:

M37 series: V6 3.7L 4-door, 7-speed automatic/manual transmission luxurious large sedan

M25 series: V6 2.5L 4-door, 7-speed automatic/manual transmission luxurious large sedan

G37 Sedan: V6 3.7L 4-door, 7-speed automatic/manual transmission luxurious middle sedan

G25 Sedan: V6 2.5L 4-door, 7-speed automatic/manual transmission luxurious middle sedan

G37 Coupe: V6 3.7L 2-door, 7-speed automatic/manual transmission sports car

G37 Convertible V6 3.7L 7-speed automatic/manual transmission luxurious convertible

EX35 series: V6 3.5L 5-door, 5-speed automatic transmission sports car

FX50 series: V8 5.0L 5-door, 7-speed automatic transmission luxurious SUV

FX35 series: V6 3.5L 5-door, 7-speed automatic transmission luxurious SUV

#### (4) Plans to Develop New Product

Aside from sales of the aforementioned products, and in order to improve its market share, this company will develop a more complete line of products in the future, so as to satisfy the consumers; the products being developed at present are listed as follows:

A.X-TRAIL Development of Successive Vehicle Types



- B.BLUEBIRD Development of Successive Vehicle Types
- C.TIIDA Development of Successive Vehicle Types
- D.Electric Motorcars

## (2) Industry Summary

### 1. Industry Current Status and Development

Despite the uncertainties caused by Japan's 311 earthquake and tsunami, Thailand floods, European debt crisis and the presidential election, the 2011 Taiwan car market still grew by 15.5% from the previous year as powered by the wave of car replacement purchase occurring every ten years and the growing domestic demand economy. The buying momentum in Taiwan's new car market is expected to recover at a steady pace in the future.

### 2. Relationships of the industry's upper, middle and down streams.

Upper streams: partners of manufacturing car parts and components.

Middle streams: center of manufacturing, R&D, and marketing.

Down streams: dealers directly dealing with customers and being responsible for car sales and after-sale services.

### 3. Development trend and competition by each product line

#### (1) Growing small family car:

In 2011, 55,600 domestic small saloon cars under 1600cc were sold, indicating a growth rate of 11% compared to 2010, accounting for 33% of the domestic passenger car market. The sales of domestic small saloon cars under 1600cc is expected to continue growing after NEW MARCH returns to the small saloon car market in 2012.

#### (2) Growing market of 2.0L or below car models:

The medium sedan market sales reached 90,331 cars, accounting for 51% of domestic passenger vehicle market with a growth of 18% from 2010.

#### (3) Decline of 2.0L or above car models

With the economic recovery, the large-sized cars with bad performance of the oil consumption have stopped falls. The sales volume in the large-sized car market in 2011 amounts to 22,779 vehicles, almost same in 2010, a 13% market share in the domestic vehicles market.

#### (4) RV

With the effect of SUV new cars continually released by the various brands, the sales volume in the RV car market is 109,779 vehicles, an 11% growth compared to 2010.

## (3) Technology, Research and Development (R&D)

### 1. As of the most recent years and Printing of the Annual Report, the total R&D expenditure invested

Unit : NTD Thousand

| Item \ Fiscal Year                           | Fiscal year 2010 | Fiscal year 2011 | Current Fiscal Year and before April 30,2012(Note) |
|--|------------------|------------------|--|
| R&D expenditure                              | 528,026          | 548,586          | 149,461  |
| Net Sales                                    | 27,455,696       | 32,115,351       | 10,850,567   |
| Percentage of R&D expenditure over Net Sales | 1.9%             | 1.7%             | 1.3%   |

Note : The figures are self-totaled number

2. The technology and product successfully developed

- (1)Dec 2003: Completed the development of the SENTRA modified model for Philippines market and successfully launched the mass production program for local sales.
- (2)September 2004: Completed the development of TEANA model.
- (3)October 2004: Completed a small scale development of remodeling MARCH model.
- (4)November 2005: Completed the development of SERENA model.
- (5)December 2005: Completed a small scale development of remodeling X-TRAIL model.
- (6)June 2006: Completed the development of new TIIDA model.
- (7)September 2006: Completed the development of TEANA model.
- (8)December 2006: Completed the development of SYLPHY new model.
- (9)September 2007: Completed the development of LIVINA new model.
- (10) November 2007: Completed the development of CABSTAR new model.
- (11)June 2008: Completed a scale development of remodeling TEANA 08 model.
- (12)June 2008: Completed a scale development of remodeling SYLPHY 08 model.
- (13)July 2008: Completed a scale development of remodeling CABSTAR model.
- (14)September 2008: Completed a scale development of remodeling LIVINA 08 model.
- (15)February 2009: Completed the development of new TEANA 08 model.
- (16)October 2009: Completed a scale development of remodeling TIIDA 08 model.
- (17)October 2009: Completed a scale development of remodeling LIVINA 08 model.
- (18)November 2009: Completed a scale development of remodeling SYLPHY 09 model.
- (19)May 2010: Completed a scale development of remodeling LIVINA10 model.
- (20)May 2010: Completed a scale development of remodeling TEANA 10 model.
- (21) October 2010: Completed the development of TEANA 10 new model.
- (22) September 2011: Completed a scale development of remodeling TIIDA 11 model.
- (23) September 2011: Completed a scale development of remodeling SYLPHY 11 model.
- (24) October 2011: Completed a scale development of remodeling TEANA 11 model.
- (25) October 2011: Completed the development of new NEW MARCH model.

**(4) Long, short term business development plan**

The overall auto market kept shrinking during the past five years due to the rising oil prices, economic downturn and global financial storm. The Taiwan auto market has fallen from the sales of over 500,000 vehicles in 2005 to around 220,000 vehicles in 2008. The steep slide in the entire market causes Yulon Nissan facing a great challenge for business operation. In response to such a change in situation, starting from 2010, Yulon Nissan has enacted and promoted a medium & long-term” two-five program “to perform various cost down and the change of business operation system.

During the difficult economic recession, Yulon-Nissan re-developed fresh mid- and long-term plans and undertook various cost improvement and changes of management system. As the momentum in the overall auto market gradually improved, the Company initiated the “Second Five-year Program” in 2010 and strived to commence the five-year (2010-2014) mid-term business plan.

The structured “Two-Five Program” includes three major goals, four major strategies, two “plus” future opportunities and two fundamental reforms. They are as follows:

1. Three major goals: to meet the set targets of specific market share, sales profits and non-operating profit before 2014.
2. Four major strategies:
  - (1) Product strategy
 

Design the optimal combination of car models and boost market share via a complementary strategy with CKD and CBS car models incorporated.

Meanwhile, we also strive to produce the most attracting and needs-based products with an

emphasized vehicle core value on better appearance, more durable usability, advanced technology and higher performance.

(2) Marketing strategy

A. Nissan:

- (A). To strengthen the brand core value of “passionate driving, sensible design, and innovation with a human-touch”.
- (B). To advocate activities of “promoting brand image,” “enhanced internal consensus,” “promotion activities for all car models/CRM” and “promotion activities for car types” to increase the brand penetration for our goal as an established auto giant.
- (C). To develop “SQC unified channel management”, “elite sales representative program” and “Interactive experience platform” to build up the most powerful distribution channels and facilitate our contracting performance.

B. Infiniti:

- (A). To stress the brand core value of “Inspired performance with unlimited glamour”.
- (B). To stress activities of “product experience marketing development,” “well-defined brand orientation” and “increased promotion effectiveness” to raise brand awareness.
- (C). To develop “IREDI hardware standards” and “continuous improvement of CSI & SSI” to enhance the channel strength.

(3) Customer satisfaction strategies

To gradually build up as a model enterprise for customer and to effectively increase car sales through a series of customer value increasing activities within 5 years, including NBS/IBS, VOC, SOS, No.1 QIP, high royalty CRM, etc.

(4) Profit increasing strategies

To achieve the best profit efficacy by enhancing car model combination management, and to effectively increase car model sales and profits by continuous implementation of VPCM car model profit and cost management.

3. Two “plus” future opportunities: The idea is to expand the operation and development structure and achieve extra economic benefits at the advantage of the cross-strait Economic Cooperation Framework Agreement (ECFA) as well as the global trend of energy saving and carbon reduction.

(1) To seize the economic and trading opportunity of cross-strait ECFA: We still have a chance in a later time, to be committed to developing high-quality and differentiated commodities and actively grasp the export opportunities for finished automobiles and auto parts; as the cross-strait trading exchanges are becoming even more frequent with the ECFA to be signed in the future, we will review the cross-strait structure of the division of labor, come up with the best model for division of labor and actively expand the China market with a more flexible model for division of labor. We would also conduct the complementary strategy with our partners to expand business scope and create better operation performance.

(2) To develop energy-saving motor car in response to the global trend of energy saving and carbon reduction: Our company will be dedicated to the introduction of environmental-friendly and energy-saving motor car to create a green brand image, participating in the “Intelligent Motor Car Development and Action Program of the Executive Yuan” in cooperation with local governments, and actively promoted the pilot program of the pure battery-operated electric car LEAF in Taichung City to realize the zero-emission-zero-pollution green vision for the fulfillment of a harmonious co-existence of human, cars, and nature.

4. Two fundamental reforms:

(1) Reform on human resource system

In response to the Company's long-term development needs, Yulon NISSAN Motors will develop its human resource policy with a stress on quality instead of quantity. The future development program is as follows:

- A. To enhance the marketing ability with extraordinary marketing team and programs.
- B. To accelerate talent recognition and promotion with a reformed promotion system.
- C. To effectively retain core talents in the Company by making the reformed performance assessment system more rational and transparent.
- D. To best utilize talents with the construction of a two-way long-term development program for both professional & technological posts and management posts.
- E. Excellent Manager Program to enhance management capability of management.

Moreover, Yulon NISSAN Motors will continue focusing on the construction of a strategy-oriented learning organization to increase the operating efficiency of the organization by business process reengineering, V-up and cost reduction activities. In the mean time, the Company will provide more opportunities for employees to constantly learn and grow with an environment and culture of a learning organization by continuously expanding the scope and application of the business knowledge database in "KM Platforms", allowing employees to possess endless innovation and the ability to challenge and conquer higher goals.

(2) Introduction of the next generation information system – Corporate smart decision support system (DSS)

The information system, which is developed to be extremely real-time and adjustable to changes, shall incorporate the existing systems and effectively simplify operating process to increase overall management performance. So, a great operating environment and comprehensive intelligence collection platform could be provided for all staff levels as a decision-making reference with such a constructed Smart DSS. In addition, the Company also keeps developing and improving Smart DMS, the distribution management system, to boost distributors' competitive advantage, advance distributors' selling strength, customer satisfaction and sales profits and elevate the company's overall operation performance.

In addition to the "Two-Five Program", Yulon NISSAN Motors will keep on introducing innovative products and services, and developing Yulon NISSAN's assertion on customer value with "innovation" as the main concept for its future core competitive edges. As a result, in respect to product innovation, we will strive to understand the potential consumer requirements, develop needs-based products with the introduction of VOC and Champion Model procedures in order to create the maximized value for customers and shareholders alike. In respect to service innovation, "Service Express" will be reinforced continually with professional and trustworthy after-sale services and efficient addressing customers' problems to effectively increase customer satisfaction.

## 2. Market, Production & Sales Review

### (1) Market Analysis

1. Sales Area of company's Main Products

This company's products are designing, R&D, Sales of Sedan, RV vehicles and commercial vehicles, and sales of other components. Taiwan area is our main sales area, in 2011, the local sales weight is 99%, and Philippines and Egypt are the main export sales areas, the sales weight is 1%.

2. Market Share

In 2011, we sold 41,033 general cars with a market share of 14.9% and 3,250 import ones, with a market share of 3.5%. The total sales volume is 44,283 units and the market share is 12%. The total

sales volume in 2011 is increase 16.3% than 2010.

### 3. Analysis and Description of 2011 Market Sales Status and Growth

Looking back the year of 2011, the total sales volume in Taiwan auto market amounts to 368,000 vehicles, a 15.5% growth compared to 2010. With economic growth, increase in national income and the appearance of the 10-year tide of car change, extending the recovery trend in the entire year of 2010 with the sales volume of 318,000 vehicles. The entire market has experienced the economic recovery.

### 4. Market Sales Forecast for This Year (2012)

Due to the uncertainties caused by presidential election early this year and the Chinese New Year being ahead of average time, totally 61,503 cars were sold in the market during January and February this year, resulting a decrease of 11.3% compared to the same period last year. Yet with the wave of car replacement purchase occurring every ten years, the overall buying momentum in Taiwan's new car market is expected to recover gradually in the future. In 2012, the Company will promote the brand image and favorability of passionate driving through activities like launches of NISSAN NEW MARCH and INFINITI JX.

Moreover, in continuation of the green technologies and new environmental ideas promoted by "NISSAN Green Program," the Company provided free test driving of the first mass-produced pure electric car worldwide, NISSAN LEAF. The Company realized the future mobile vehicle of real zero pollution for the public's experience, with the slogan of "NISSAN brings low carbon life to you – start small" in 2012. In the meantime, the Company fabricates the exclusive worldwide electric car, MINI LEAF, for kids' test ride to keep on promoting NISSAN's image on environmental protection. Besides, NEW MARCH is the only energy-saving car to meet the first-level fuel consumption standards among domestic small cars. In addition, TIIDA/LIVINA/BLUEBIRD series all equipped with the "Eco-Driving Energy-Saving Window" to remind car owners the best energy-saving driving mode. The Company will continue the focus on TIIDA/LIVINA/ALL NEW TEANA and work on the promotion of the above-mentioned marketing policy to achieve the sales target and to increase its market share.

### 5. Competitive Niche

#### (1) Advantageous Operation and Management Ability

- A. Expand combined operational effects across the strait and of the group.
- B. Leverage Nissan's global resources to reduce part costs.
- C. Strengthen our financial management ability and investment performance.

#### (2) A Superior and Complete Product Line

- A. Introduce products that meet market and customer needs to create customers' value.
- B. Innovate IT to strengthen product variation and competitive advantages.
- C. Increase brand name celebrity of our imported cars to continuously grow our sales volume.
- D. To develop a green brand image and increase product value and brand awareness

#### (3) Chinese Style of Design Ability

- A. Play an important role in Nissan's global R&D centers and dominate the design of some of our car models.
- B. Create profits through our technical output.
- C. Cater to the tastes of the Chinese market and design/develop products that can better meet customers' needs.

#### (4) A Comprehensive Service System

- A. Provide real-time and comprehensive value-added services through our e-platform.
- B. Increase our dealers' overall operating and management ability.
- C. To promote "Service Express" to effectively increase customer satisfaction

#### (5) A Learning Organization

- A. Increase our employees' core, management and professional competency.

- B. Mold a knowledge sharing culture and create a new operating pattern.
- C. Increase the use of Nissan’s V-UP (DECIDE, V-FAST) system problem solving approach and gradually accumulate our acquired successful experience to form an innovative learning organization and establish long-term competitive advantages.

6. Advantageous and Disadvantageous Factors of Perspective Development and Strategies to Address

(1) Advantageous Factors

Our company will continue to use “innovation” as the core of our entire development, and center on our consumers’ value to increase our “product power” and “service quality” to create a higher competitive edge. For our “product power”, we will successively introduce Nissan’s quality car designs (NISSAN and INFINITI brands) and combine the personalized IT interface with our products to provide our consumers with a more convenient and mobile life.

For our “service quality”, new RVI will be established in the end of this year and we will continue to provide our consumers with “genial”, “speedy”, “professional”, and “reliable” service with our thoughtful service ideal.

In respect to INFINITI service, IREDI location environment design standards will be constructed will keep be constructed. we will continue to provide five-star service, T.O.E. (Total Ownership Experience), as the main frame to make the car owners experience the best service quality. We hope that through our overall product and service innovation, we are able to create higher additional values and customer satisfaction for our consumers.

(2) Disadvantageous Factors and Countermeasures

In recent years, the rise in raw material prices increases the costs continually, and the general market continues to decline under the impact of the major environment and recession. As a result, the competition of car companies becomes rampant, and profitability is seriously influenced. To strengthen our competitiveness, Yulon Nissan Motors will continue to implement better products and services with our spirit of “innovation” to adhere to our “customer-oriented” management ideal, create higher values for our consumers and continue our steady growth in hardships.

**(2) The major usage and production processes of main products: The company’s main business is design, research, develop, sale and components sales of car products, and there are no production processes, therefore it’s not applicable.**

**(3) Supplies of main raw materials: The company is not a production manufacturing industry; therefore it’s not applicable.**

**(4) List of Major Suppliers and Clients Over the Recent 2 Fiscal Years**

1. Data of suppliers accounting for more than 10% of total purchases over the recent 2 fiscal years

Unit : NTD Thousand

| Rank | Fiscal year 2010      |            |                   |                               | Fiscal year 2011      |            |                   |                               | First season in 2012  |           |                   |                               |
|------|-----------------------|------------|-------------------|-------------------------------|-----------------------|------------|-------------------|-------------------------------|-----------------------|-----------|-------------------|-------------------------------|
|      | Supplier’s Name       | Amount     | % to Net Purchase | Relationship with Yulon-Motor | Supplier’s Name       | Amount     | % to Net Purchase | Relationship with Yulon-Motor | Supplier’s Name       | Amount    | % to Net Purchase | Relationship with Yulon-Motor |
| 1    | Yulon Motor Co., Ltd. | 22,425,521 | 99                | Relative Party                | Yulon Motor Co., Ltd. | 26,193,323 | 99                | Relative Party                | Yulon Motor Co., Ltd. | 8,329,079 | 99                | Related Party                 |
| 2    | Others                | 72,741     | 1                 |                               | Others                | 136,936    | 1                 |                               | Others                | 107,374   | 1                 |                               |
|      | Net Purchase amount   | 22,498,262 | 100               |                               | Net Purchase amount   | 26,330,259 | 100               |                               | Net Purchase amount   | 8,436,453 | 100               |                               |

## 2. Data of clients accounting for more than 10% of total sales over the recent 2 fiscal years

Unit : NTD Thousand

| Rank | Supplier's Name               | Fiscal year 2010 |                   |                               | Fiscal year 2011 |                   |                               | First season in 2012 |                   |                               |
|------|-------------------------------|------------------|-------------------|-------------------------------|------------------|-------------------|-------------------------------|----------------------|-------------------|-------------------------------|
|      |                               | Amount           | % to Net Purchase | Relationship with Yulon-Motor | Amount           | % to Net Purchase | Relationship with Yulon-Motor | Amount               | % to Net Purchase | Relationship with Yulon-Motor |
| 1    | Taiwan Acceptance Corporation | 24,031,493       | 88                | Related Party                 | 28,208,372       | 88                | Relative Party                | 9,050,182            | 90                | Related Party                 |
| 2    | Others                        | 3,424,203        | 12                |                               | 3,906,979        | 12                |                               | 1,043,644            | 10                |                               |
|      | Net Purchase amount           | 27,455,696       | 100               |                               | 32,115,351       | 100               |                               | 10,093,826           | 100               |                               |

**(5) Production Volume over the recent 2 years: This company is not a production manufacturer industry; therefore it's not applicable.**

**(6) Sales Volume of Recent 2 Fiscal Years**

Unit : Taiwan \ NTD Thousand

| Sales Volume                     | Fiscal year 2010 |            | Fiscal year 2011 |         | Fiscal year 2010 |            | Fiscal year 2011 |         |
|----------------------------------|------------------|------------|------------------|---------|------------------|------------|------------------|---------|
|                                  | Local Sales      |            | Export Sales     |         | Local Sales      |            | Export Sales     |         |
| Main Produces (or by Department) | Volume           | Value      | Volume           | Value   | Volume           | Value      | Volume           | Value   |
| Vehicle                          | 37,722           | 24,212,256 | 9                | 5,643   | 44,721           | 28,581,277 | -                | -       |
| Parts                            | -                | 2,633,853  | -                | 533,386 | -                | 2,911,529  | -                | 555,866 |
| Other                            | -                | 70,558     | -                | -       | -                | 66,679     | -                | -       |
| Total                            | -                | 26,916,667 | -                | 539,029 | -                | 31,559,485 | -                | 555,866 |

**3. Employees**

| Fiscal Year       |                          | Fiscal year 2010 | Fiscal year 2011 | Current Fiscal Year and before April 30, 2012 |
|-------------------|--------------------------|------------------|------------------|---|
| No. of Employee   | Marketing                | 161              | 203              | 202   |
|                   | Management               | 83               | 77               | 75  |
|                   | Reserch & Development    | 160              | 145              | 141   |
|                   | Total                    | 404              | 425              | 418   |
| Average age       |                          | 38.8             | 38.7             | 39  |
| Average seniority |                          | 10.85            | 10.62            | 10.96   |
| Academy Ratio     | Doctor                   | 0                | 0                | 0   |
|                   | Master                   | 166              | 206              | 200   |
|                   | College                  | 203              | 187              | 186   |
|                   | Senior High School       | 32               | 30               | 30  |
|                   | Below Senior High School | 3                | 2                | 2   |

## 4. Expenditures on Environment Protection

**(1) Losses and Disposal caused by environmental pollution over the recent 2 years: Nil**

**(2) Probable environmental expenditures:**

The Company has passed the ISO 14001 certification in Nov. 2004 and will continue to support the environment protection in the future. No major probable environmental expenditures are expected in the future.

## 5. Labor-Capital Relation

**(1) Current Prominent Labor-Capital Agreements, Employee Benefits and Their Implementation**

### 1. Status of Labor-Capital Agreements

- (1) This company holds a monthly meeting with the labor representatives for proper communication of problems and improvements between the proprietor and the laborers.
- (2) Understand and pay more attention the needs and voice of the employee to promote the Labor-Capital harmony.
- (3) Ask for the opinions from the officials of the labor authorities, scholars or lawyers on relevant issues and hold seminars of relevant topics regularly.
- (4) Continue to strengthen our effort in educating the employees to enhance convergence.

### 2. Employee Benefits

- (1) Provide commuter's transportation and scheduled home-returning transportation free of charge.
- (2) Provides safe, convenient, quiet dormitory environment.
- (3) Establish employee welfares zone, which includes tennis court, indoor and outdoor basketball court, golf drivingrange, leisure garden, KTV, warm water swimming pool, sauna facilities, video/audio center, western-style food restaurant, gymnasium, etc.
- (4) Organize annual celebration event company-wide, year-end lucky draw and banquet.
- (5) Set up Worker's Complaint Handling System to assist colleagues to solve working problems and to maintain their rights and privileges.
- (6) Institutionalize regulations on the prevention of sexual harassment to provide a harassment-free environment for the employees and employee-to-be. Necessary actions would be taken to prevent, correct, punish and handle acts of harassment, and to ensure the protection of the privacy of the victims as well as the rights of all employees.

### 3. Retirement System

- (1) This company complies with the requirements set forth in the Labor Standards Law and institutionalized relevant regulations on retirement and pecuniary aid in case of death.
- (2) For enhancing the quality of human resources and proper mechanism for replacing the old with the young employees, we have institutionalized a flexible retirement and resignation program.

**(2) Labor Dispute**

This company has always treats our employees as its most valuable assets, and very serious about employees future development. Therefore, harmonized Labor-Capital has been maintained since the very beginning, and labor dispute that had caused company loss has never happened.



## 6. Prominent Contracts

| Contract                           | Counter party                                  | Contract Period  | Highlights of Provisions   | Restrictive Terms   |
|------------------------------------|--|--|--|---|
| Technical cooperation agreement    | Nissan Motor Co., Ltd.                         | 2003.11.1~2008.10.31                                   | Technical cooperation to develop and manufacture a variety of vehicles | 1. Restriction on sub-licensing to a third party<br>2. Restriction on sales beyond licensed territories       |
| Dealing agreement on import cars   | Nissan Motor Co., Ltd.                         | 2003.11.1~2008.10.31                                   | Dealing matters with import cars                                       | 1. Restriction on sales beyond licensed territories<br>2. Confidential responsibility on third party business |
| OEM, Substitute Materials Contract | Yulon Motor Co., Ltd.                          | 2003.11.1~2008.10.31                                   | Assembly for variety of vehicles and auto parts                        | 1. Restriction on sub-licensing to a third party<br>2. Restriction on sales beyond licensed territories       |
| Sales Contract                     | Taiwan Acceptance Corporation                  | Note   | Provide Car Financing to Dealers                                       | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Hui Lian Motors Co., Ltd and other 2 companies | 2010.3.1~2013.2.28                                     | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Yu Chang Motor Co., Ltd.                       | 2010.3.1~2014.2.28                                     | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Yu Hsin Motor Co., Ltd.                        | 2011.3.1~2015.2.28                                     | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Chi Ho Corporation                             | 2011.3.1~2014.2.28                                     | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Yu Tang Motor Co., Ltd. and other 2 companies  | 2012.3.1~2017.2.28<br>Being signed in the New Contract | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Chi Long Motor Co., Ltd. and other 4 companies | 2009.3.1~2012.2.28<br>Being signed in the New Contract | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |
| Distribution agreement             | Yu Sing Corporation                            | 2009.3.1~2013.2.28                                     | Sales of Nissan a variety of vehicles and auto parts                   | 1. Restriction on sub-licensing to a third party<br>2. Confidential responsibility on third party business    |

Note: Yulon Nissan Motor Co., Ltd., and Taiwan Acceptance Corporation are affiliates, and Dealers collections are made through Taiwan Acceptance Corp.; therefore contract duration was not specifically instituted.

## | VI - Financial Information |

### 1. Condensed Financial Statements for the recent 5 fiscal year

#### (1) Condensed Balance Sheets

Unit : In NTD Thousand

| Fiscal Year<br>Item                              |                     | Financial Data in recent 5 years |            |            |            |            | The financial data<br>(Note 2) as of<br>March 31 2012 of<br>that fiscal year |
|--|---------------------|----------------------------------|------------|------------|------------|------------|--|
|  |                     | 2007                             | 2008       | 2009       | 2010       | 2011       |  |
| Current Assets                                   |                     | 4,101,510                        | 1,831,127  | 2,349,837  | 3,855,526  | 4,089,045  | 4,609,584  |
| Fund and Investment                              |                     | 10,413,068                       | 12,367,726 | 13,536,847 | 15,402,999 | 19,069,822 | 19,503,291   |
| Fixed assets                                     |                     | 119,036                          | 96,933     | 49,540     | 40,840     | 37,166     | 38,229   |
| Intangible assets                                |                     | -                                | -          | -          | -          | -          | -  |
| Other assets                                     |                     | 3,345,896                        | 3,200,520  | 1,782,312  | 1,443,347  | 1,459,623  | 1,485,688  |
| Total Assets                                     |                     | 17,979,510                       | 17,496,306 | 17,718,536 | 20,742,712 | 24,655,656 | 25,636,792   |
| Current Liabilities                              | Before distribution | 2,522,638                        | 1,186,581  | 1,286,319  | 1,790,241  | 2,698,572  | 2,977,181  |
|  | After distribution  | 3,091,998                        | 1,186,581  | 1,286,319  | 3,470,241  | (Note 2)   | -  |
| Long term liabilities                            |                     | -                                | -          | -          | -          | -          | -  |
| Other liabilities                                |                     | 1,187,865                        | 1,223,876  | 1,162,077  | 1,787,127  | 2,393,600  | 2,559,562  |
| Total Liabilities                                | Before distribution | 3,710,503                        | 2,410,457  | 2,448,396  | 3,577,368  | 5,092,172  | 5,536,743  |
|  | After distribution  | 4,279,863                        | 2,410,457  | 2,448,396  | 5,257,368  | (Note 2)   | -  |
| Share Capital                                    |                     | 3,000,000                        | 3,000,000  | 3,000,000  | 3,000,000  | 3,000,000  | 3,000,000  |
| Capital Reserves                                 |                     | 5,988,968                        | 5,988,968  | 5,988,968  | 5,988,968  | 5,988,968  | 5,988,968  |
| Retained Earnings                                | Before distribution | 4,487,059                        | 4,422,021  | 5,074,899  | 7,958,797  | 10,110,362 | 11,124,581   |
|  | After distribution  | 3,917,699                        | 4,422,021  | 5,074,899  | 6,278,797  | (Note 2)   | -  |
| Unrealized gains/losses<br>On financial products |                     | -                                | -          | -          | -          | -          | -  |
| Cumulative Translation<br>Adjustment             |                     | 792,980                          | 1,674,860  | 1,206,273  | 217,579    | 464,154    | -13,500  |
| Net loss not recognized<br>as pension cost       |                     | -                                | -          | -          | -          | -          | -  |
| Total shareholder<br>equity                      | Before distribution | 14,269,007                       | 15,085,849 | 15,270,140 | 17,165,344 | 19,563,484 | 20,100,049   |
|  | After distribution  | 13,699,647                       | 15,085,849 | 15,270,140 | 15,485,344 | (Note 2)   | -  |

Note 1: Quarterly Statement of the First Quarter of 2012 has been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2012 general meeting of shareholders.

**(2) Condensed Income Statement**

Unit : NTD Thousand

| Fiscal Year<br>Item                                   | Financial Data in recent 5 years |            |            |            |            | The financial data<br>(Note ) as of<br>March 31 2012 of<br>that fiscal year |
|---|----------------------------------|------------|------------|------------|------------|---|
|   | 2007                             | 2008       | 2009       | 2010       | 2011       |   |
| Operating Revenue                                     | 27,299,056                       | 19,442,121 | 21,674,728 | 27,455,696 | 32,115,351 | 10,093,826  |
| Gross Profit  | 4,218,699                        | 2,065,651  | 1,867,525  | 3,784,639  | 4,735,148  | 1,318,812   |
| Operating Income                                      | 585,726                          | (610,967)  | (811,608)  | 505,309    | 1,049,039  | 310,958   |
| Non-Operating Revenue and Gain                        | 1,049,396                        | 1,442,116  | 2,478,079  | 2,935,557  | 3,644,374  | 936,469   |
| Non-Operating Expenses and losses                     | 76,928                           | 225,205    | 1,085,358  | 96,662     | 95,506     | 24,898  |
| Gain (loss) before tax from continuing operation      | 1,558,194                        | 605,944    | 581,113    | 3,344,204  | 4,597,907  | 1,222,529   |
| Gain (loss) from continuing operation                 | 1,471,319                        | 504,322    | 652,878    | 2,883,898  | 3,831,565  | 1,014,219   |
| Gain (loss) from discontinued operating               | -                                | -          | -          | -          | -          | -   |
| Nonrecurring gain or loss                             | -                                | -          | -          | -          | -          | -   |
| Cumulative effect of changes in accounting principles | -                                | -          | -          | -          | -          | -   |
| Net Income (Loss)                                     | 1,471,319                        | 504,322    | 652,878    | 2,883,898  | 3,831,565  | 1,014,219   |
| EPS (Earning Per Share)                               | 4.90                             | 1.68       | 2.18       | 9.61       | 12.77      | 3.38  |

Note : Quarterly Statement of the First Quarter of 2012 has been reviewed by CPAs.

**(3) Name of Verifying Accountant and Auditor opinions**

| Fiscal Year                          | 2007                            | 2008                         | 2009                         | 2010                          | 2011                          |
|--------------------------------------|---------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|
| CPA<br>(Certified public accountant) | Chien-Hsin Hsieh<br>Sandra Chen | Sandra Chen<br>Benjamin Shih | En Min Wu<br>Sandra Chen     | En Min Wu<br>Chien-Hsin Hsieh | En Min Wu<br>Chien-Hsin Hsieh |
| Auditors' opinions                   | No retained comment             | Modified unqualified comment | Modified unqualified comment | Modified unqualified comment  | No retained comment           |

## 2. Financial analysis in recent 5 years

| Analysis items                |   | Fiscal Year       |            | Financial analysis in recent 5 years |            |            |        |    | The financial data(Note 1) as of March 31 2012 of that fiscal year |
|-------------------------------|---|-------------------|------------|--------------------------------------|------------|------------|--------|----|--|
|                               |   | 2007 years        | 2008 years | 2009 years                           | 2010 years | 2011 years |        |    |  |
| Finance Structure%            | Debt to assets ratio                        | 21                | 14         | 14                                   | 17         | 21         | 22     |    |  |
|                               | Long term funds to fixed assets ratio       | 11,987            | 15,563     | 30,824                               | 42,031     | 52,638     | 52,578 |    |  |
| Liquidity %                   | Current Ratio                               | 163               | 154        | 183                                  | 215        | 152        | 155    |    |  |
|                               | Quick Ratio                                 | 151               | 146        | 179                                  | 215        | 149        | 153    |    |  |
|                               | Interest coverage ratio                     | 933               | 347        | 196                                  | 2,651      | 3,871      | 3,845  |    |  |
| Operating Performance         | Receivables turnover (times)                | 26                | 22         | 42                                   | 71         | 71         | 60     |    |  |
|                               | Average number days receivables outstanding | 14                | 17         | 9                                    | 5          | 5          | 6      |    |  |
|                               | Inventory turnover (times)                  | 333               | 261        | 44,311                               | 24,786     | 19,494     | 19,040 |    |  |
|                               | Payable turnover (times)                    | 13                | 17         | 38                                   | 24         | 27         | 25     |    |  |
|                               | Average inventory turnover days             | 1                 | 1          | -                                    | -          | -          | -      |    |  |
|                               | Fixed asset turnover (times)                | 229               | 201        | 438                                  | 672        | 864        | 1,056  |    |  |
|                               | Total asset turnover (times)                | 2                 | 1          | 1                                    | 1          | 1          | 2      |    |  |
| Profitability                 | Return on assets (%)                        | 8                 | 3          | 4                                    | 15         | 17         | 4      |    |  |
|                               | Return on equity (%)                        | 11                | 3          | 4                                    | 18         | 21         | 5      |    |  |
|                               | Percentage to paid-in capital%              | Operation income  | 20         | (Note3)                              | (Note3)    | 17         | 35     | 10 |  |
|                               |   | Income before Tax | 52         | 20                                   | 19         | 111        | 153    | 41 |  |
|                               | Profit margin (%)                           | 5                 | 3          | 3                                    | 11         | 12         | 10     |    |  |
| Earning Per Share (NT dollar) | 4.90  | 1.68              | 2.18       | 9.61                                 | 12.77      | 3.38       |        |    |  |
| Cash Flow                     | Cash flow from operations ratio (%)         | 51                | 40         | 2                                    | 13         | 83         | 19     |    |  |
|                               | Cash flow adequacy ratio (%)                | 172               | 153        | 90                                   | 54         | 105        | 158    |    |  |
|                               | Cash Flow Re-investment Ratio (%)           | 2                 | (Note2)    | -                                    | 1          | 3          | 2.46   |    |  |
| Leverage                      | Operating leverage                          | 2                 | (Note3)    | (Note3)                              | 6          | 1          | 2      |    |  |
|                               | Financial leverage                          | 1                 | 1          | 1                                    | 1          | 1          | 1      |    |  |

Explanation of the changes in each financial ratio in recent two years:

1. The increase of debt to assets ratio, long term funds to fixed assets ratio, interest coverage ratio, receivables turnover, fixed asset turnover, asset turnover, return on equity, operating income on paid-in capital ratio, income before tax on paid-in capital ratio, profit margin and EPS is mainly caused by the increase in sales volumes of the finished cars and increase in profit in 2011.
2. The decrease of current ratio, quick ratio and inventory turnover is mainly caused by the increase in sales volumes of the finished cars in 2011.
3. The increase of cash flow from operations ratio, cash flow adequacy ratio and cash flow re-investment ratio is mainly caused by the increase in sales volumes of the cars and increase in net cash provided by operating activities in 2011.

Note 1: Quarterly Statement of the First Quarter of 2011 has been reviewed by CPAs.

Note 2: There is a negative value after subtracting the cash dividends from the net cash inflow of operational activities; therefore it is not counted.

Note 3: Operating profit is negative and therefore not counted.

Note 4: Operational activities produce the net cash outflow; therefore it is not counted.

Note 5: The formula is as follows:

1. Finance structure

(1) Debt to assets ratio = total liabilities/total assets.

(2) Long term funds to fixed assets ratio = (net shareholders' equity + Long term liabilities)/net fixed assets.

2. Liquidity

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(3) Interest coverage ratio = before income tax expenses and interest expense/current interest expense.

3. Operating Performance

(1) Receivables (including Account Receivable and Note Receivable from operating) turnover = cost of goods sold/average accounts Receivable (including Account Receivable and Note Receivable from operating).

(2) Average number days receivables outstanding = 365 days/average receivable turnover.

(3) Inventory turnover (times) = cost of goods sold/average inventory.

(4) Payable (including Account Payable and Note Payable from operating) turnover = cost of goods sold/average accounts payable (including Account Payable and Note Payable from operating).

(5) Average inventory turnover days = 365 days/average inventory turnover.

(6) Fixed asset turnover (times) = net sales/net fixed assets.

(7) Total asset turnover = net sales/total assets.

4. Profitability

(1) Return on assets = [net income after tax + interest expense x (1-tax ratio)]/average total assets.

(2) Return on equity = shareholders' equity/net income after tax.

(3) Profit margin = net income after tax/net sales.

(4) Earning Per Share = (net income after tax - preferred dividend)/weighted average number of shares.

5. Cash flow

(1) Cash flow from operations ratio = cash flow from operations/current liabilities.

(2) Net Cash flow adequacy ratio = cash flow from operations of recent five fiscal years/recent five fiscal years' (capital expenditure + increase in inventory + cash dividend).

(3) Cash flow re-investment ratio = (cash flow from operations - cash dividend)/(gross fixed assets + long-term investment + other asset + operation capital).

6. Leverage:

(1) Operating leverage = (net operating revenue - variable operating cost and expense)/operating net income.

(2) Financial leverage = operating revenue/(operating revenue - interest expense).

### 3. Supervisor Audit Report

**Yulon Nissan Motor Co., Ltd.**  
**Supervisors Audit Written Report**

The Board of Directors has prepared and submitted to us the Company's operations report, financial statements and earnings distribution proposal of fiscal year 2011 together with auditors' report prepared and certified by 2 authorized CPAs: Mr. En Min Wu and Ms. Sandra Chen from Deloitte Touche Tohmatsu. The documents mentioned above have been further audited as being correct and accurate by the undersigned, the supervisors of Yulon Nissan Motor Company Limited. According to Article 219 of Company Law, we hereby submit this report.

Yours truly

2011 Shareholders' Meeting

Supervisors:

Yu Ching Business Co., Ltd.

Representative: Kuan-Tao Lee

Supervisor: Qing-Zhi Yen

Supervisors: Nagano Masaya

April 30, 2012

## 4. Financial statement in the most recent year

### Independent Auditors' Report

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

March 23, 2012

#### **Notice to Readers**

*The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.*

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

## YULON NISSAN MOTOR COMPANY, LTD.

### BALANCE SHEETS DECEMBER 31, 2011 AND 2010

| ASSETS   | 2011                 |            | 2010                 |            |
|--|----------------------|------------|----------------------|------------|
|  | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>  |                      |            |                      |            |
| Cash and cash equivalents (Notes 2 and 4)                                | \$ 743,912           | 3          | \$ 677,127           | 3          |
| Financial assets at fair value through profit or loss<br>(Notes 2 and 5) | 2,262,001            | 9          | 2,110,748            | 10         |
| Notes and accounts receivable (Notes 2 and 6)                            | 22,417               | -          | 26,459               | -          |
| Notes and accounts receivable - related parties (Note 19)                | 538,107              | 3          | 323,605              | 2          |
| Other financial assets (Note 7)  | 452,645              | 2          | 613,956              | 3          |
| Inventories (Notes 2 and 8)  | 1,793                | -          | 1,016                | -          |
| Prepayments  | 33,635               | -          | 4,566                | -          |
| Deferred income tax assets, net (Notes 2 and 15)                         | 34,120               | -          | 106,970              | 1          |
| Other current asset  | 415                  | -          | -                    | -          |
| <b>Total current assets</b>  | <b>4,089,045</b>     | <b>17</b>  | <b>3,864,447</b>     | <b>19</b>  |
| <b>LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)</b>                      | <b>19,069,822</b>    | <b>77</b>  | <b>15,402,999</b>    | <b>74</b>  |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)</b>                    |                      |            |                      |            |
| Cost   |                      |            |                      |            |
| Machinery and equipment  | 21,135               | -          | 21,135               | -          |
| Transportation equipment   | 4,290                | -          | 4,290                | -          |
| Tools  | 5,694                | -          | 5,694                | -          |
| Computer equipment   | 83,468               | -          | 79,608               | 1          |
| Other equipment  | 83,639               | 1          | 76,930               | -          |
| Leasehold improvement  | 5,763                | -          | 4,559                | -          |
| <b>Total cost</b>  | <b>203,989</b>       | <b>1</b>   | <b>192,216</b>       | <b>1</b>   |
| Less: Accumulated depreciation   | 167,014              | 1          | 154,175              | 1          |
|  | 36,975               | -          | 38,041               | -          |
| Prepayments for equipment  | 191                  | -          | 2,799                | -          |
| <b>Property, plant and equipment, net</b>                                | <b>37,166</b>        | <b>-</b>   | <b>40,840</b>        | <b>-</b>   |
| <b>OTHER ASSETS</b>  |                      |            |                      |            |
| Refundable deposits (Note 19)  | 19,650               | -          | 2,680                | -          |
| Deferred charges (Notes 2, 11 and 19)                                    | 1,439,973            | 6          | 1,440,667            | 7          |
| <b>Total other assets</b>  | <b>1,459,623</b>     | <b>6</b>   | <b>1,443,347</b>     | <b>7</b>   |
| <b>TOTAL</b>   | <b>\$ 24,655,656</b> | <b>100</b> | <b>\$ 20,751,633</b> | <b>100</b> |



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

| LIABILITIES AND STOCKHOLDERS' EQUITY  | 2011                 |            | 2010                 |            |
|---|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          |
| <b>CURRENT LIABILITIES</b>  |                      |            |                      |            |
| Notes and accounts payable  | \$ 144,530           | 1          | \$ 81,519            | 1          |
| Notes and accounts payable - related parties (Note 19)  | 1,570,613            | 6          | 1,075,697            | 5          |
| Income tax payable (Notes 2 and 15)   | 213,238              | 1          | 50,985               | -          |
| Accrued expenses (Note 12)  | 559,928              | 2          | 486,463              | 2          |
| Warranty (Note 2)   | 53,755               | -          | 52,476               | -          |
| Other current liabilities   | <u>156,508</u>       | <u>1</u>   | <u>95,577</u>        | <u>1</u>   |
| Total current liabilities   | <u>2,698,572</u>     | <u>11</u>  | <u>1,842,717</u>     | <u>9</u>   |
| <b>OTHER LIABILITIES</b>  |                      |            |                      |            |
| Accrued pension liabilities (Notes 2 and 16)  | 469,180              | 2          | 449,586              | 2          |
| Deferred income tax liabilities, net (Notes 2 and 15)   | 1,836,821            | 8          | 1,239,308            | 6          |
| Warranty (Note 2)   | <u>87,599</u>        | <u>-</u>   | <u>54,678</u>        | <u>-</u>   |
| Total other liabilities   | <u>2,393,600</u>     | <u>10</u>  | <u>1,743,572</u>     | <u>8</u>   |
| Total liabilities   | <u>5,092,172</u>     | <u>21</u>  | <u>3,586,289</u>     | <u>17</u>  |
| <b>STOCKHOLDERS' EQUITY</b>   |                      |            |                      |            |
| Capital stock - \$10.00 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares | <u>3,000,000</u>     | <u>12</u>  | <u>3,000,000</u>     | <u>15</u>  |
| Capital surplus   |                      |            |                      |            |
| Excess from spin-off  | 5,986,507            | 24         | 5,986,507            | 29         |
| Gains on long-term investments  | <u>2,461</u>         | <u>-</u>   | <u>2,461</u>         | <u>-</u>   |
| Total capital surplus   | <u>5,988,968</u>     | <u>24</u>  | <u>5,988,968</u>     | <u>29</u>  |
| Retained earnings   |                      |            |                      |            |
| Legal reserve   | 1,381,683            | 6          | 1,093,293            | 5          |
| Special reserve   | 379,840              | 1          | 379,840              | 2          |
| Unappropriated earnings   | <u>8,348,839</u>     | <u>34</u>  | <u>6,485,664</u>     | <u>31</u>  |
| Total retained earnings   | <u>10,110,362</u>    | <u>41</u>  | <u>7,958,797</u>     | <u>38</u>  |
| Cumulative translation adjustments  | <u>464,154</u>       | <u>2</u>   | <u>217,579</u>       | <u>1</u>   |
| Total stockholders' equity  | <u>19,563,484</u>    | <u>79</u>  | <u>17,165,344</u>    | <u>83</u>  |
| <b>TOTAL</b>  | <u>\$ 24,655,656</u> | <u>100</u> | <u>\$ 20,751,633</u> | <u>100</u> |

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

## YULON NISSAN MOTOR COMPANY, LTD.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|   | 2011          |     | 2010          |     |
|---|---------------|-----|---------------|-----|
|   | Amount        | %   | Amount        | %   |
| SALES (Note 19)                                   | \$ 32,124,700 | 100 | \$ 27,464,636 | 100 |
| LESS: SALES RETURNS                               | 6,449         | -   | 4,978         | -   |
| SALES ALLOWANCES                                  | 2,900         | -   | 3,962         | -   |
| NET SALES   | 32,115,351    | 100 | 27,455,696    | 100 |
| COST OF SALES (Note 19)                           | 27,380,203    | 85  | 23,671,057    | 86  |
| GROSS PROFIT                                      | 4,735,148     | 15  | 3,784,639     | 14  |
| OPERATING EXPENSES (Note 19)                      |               |     |               |     |
| Marketing and selling                             | 2,696,091     | 9   | 2,352,349     | 9   |
| General and administrative                        | 441,432       | 1   | 398,955       | 1   |
| Research and development                          | 548,586       | 2   | 528,026       | 2   |
| Total operating expenses                          | 3,686,109     | 12  | 3,279,330     | 12  |
| OPERATING INCOME                                  | 1,049,039     | 3   | 505,309       | 2   |
| NONOPERATING INCOME AND GAINS                     |               |     |               |     |
| Equity in net income of investees                 | 3,420,248     | 11  | 2,854,846     | 11  |
| Gain on sale of molds (Note 19)                   | 150,483       | -   | -             | -   |
| Gain from valuation of financial assets           | 13,711        | -   | 14,838        | -   |
| Foreign exchange gain, net                        | 5,798         | -   | -             | -   |
| Interest income                                   | 1,134         | -   | 772           | -   |
| Gain on sale of investments, net                  | -             | -   | 25,380        | -   |
| Others (Note 19)                                  | 53,000        | -   | 39,721        | -   |
| Total nonoperating income and gains               | 3,644,374     | 11  | 2,935,557     | 11  |
| NONOPERATING EXPENSES AND LOSSES                  |               |     |               |     |
| Overseas business expense (Note 19)               | 49,632        | -   | 61,924        | 1   |
| Loss on sale of investments, net                  | 38,088        | -   | -             | -   |
| Interest expense (Note 19)                        | 1,188         | -   | 1,262         | -   |
| Loss on disposal of property, plant and equipment | 71            | -   | 603           | -   |
| Foreign exchange loss, net                        | -             | -   | 13,202        | -   |
| Others (Note 19)                                  | 6,527         | -   | 19,671        | -   |
| Total nonoperating expenses and losses            | 95,506        | -   | 96,662        | 1   |

**YULON NISSAN MOTOR COMPANY, LTD.****STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

|                                      | <b>2011</b>         |                  | <b>2010</b>         |                  |
|--------------------------------------|---------------------|------------------|---------------------|------------------|
|                                      | <b>Amount</b>       | <b>%</b>         | <b>Amount</b>       | <b>%</b>         |
| INCOME BEFORE INCOME TAX             | \$ 4,597,907        | 14               | \$ 3,344,204        | 12               |
| INCOME TAX EXPENSES (Notes 2 and 15) | <u>766,342</u>      | <u>2</u>         | <u>460,306</u>      | <u>2</u>         |
| NET INCOME                           | <u>\$ 3,831,565</u> | <u>12</u>        | <u>\$ 2,883,898</u> | <u>10</u>        |
|                                      | <b>2011</b>         |                  | <b>2010</b>         |                  |
|                                      | <b>Before Tax</b>   | <b>After Tax</b> | <b>Before Tax</b>   | <b>After Tax</b> |
| EARNINGS PER SHARE (Note 18)         |                     |                  |                     |                  |
| Basic                                | <u>\$ 15.33</u>     | <u>\$ 12.77</u>  | <u>\$ 11.15</u>     | <u>\$ 9.61</u>   |
| Diluted                              | <u>\$ 15.30</u>     | <u>\$ 12.75</u>  | <u>\$ 11.13</u>     | <u>\$ 9.60</u>   |

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

(Concluded)

## YULON NISSAN MOTOR COMPANY, LTD.

### STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2010

|  | Capital Stock            |                     | Capital Surplus (Notes 2 and 13) |                         |                    |
|--|--------------------------|---------------------|----------------------------------|-------------------------|--------------------|
|  | Shares<br>(In Thousands) | Amount              | Excess from<br>Spin-off          | Long-term<br>Investment | Total              |
| BALANCE, JANUARY 1, 2010                         | 300,000                  | \$ 3,000,000        | \$ 5,986,507                     | \$ 2,461                | \$5,988,968        |
| Appropriation of 2009 earnings                   |                          |                     |                                  |                         |                    |
| Legal reserve                                    | -                        | -                   | -                                | -                       | -                  |
| Net income in 2010                               | -                        | -                   | -                                | -                       | -                  |
| Equity in the investees' translation adjustments | -                        | -                   | -                                | -                       | -                  |
| BALANCE, DECEMBER 31, 2010                       | 300,000                  | 3,000,000           | 5,986,507                        | 2,461                   | 5,988,968          |
| Appropriation of 2010 earnings                   |                          |                     |                                  |                         |                    |
| Legal reserve                                    | -                        | -                   | -                                | -                       | -                  |
| Cash dividends - \$5.6 per share                 | -                        | -                   | -                                | -                       | -                  |
| Net income in 2011                               | -                        | -                   | -                                | -                       | -                  |
| Equity in the investees' translation adjustments | -                        | -                   | -                                | -                       | -                  |
| BALANCE, DECEMBER 31, 2011                       | <u>300,000</u>           | <u>\$ 3,000,000</u> | <u>\$ 5,986,507</u>              | <u>\$ 2,461</u>         | <u>\$5,988,968</u> |

(In Thousands of New Taiwan Dollars)

| Legal Reserve       | Retained Earnings (Notes 2 and 13) |                         |                      | Cumulative Translation Adjustments (Notes 2 and 13) | Total Stockholders' Equity |
|---------------------|------------------------------------|-------------------------|----------------------|---|----------------------------|
|                     | Special Reserve                    | Unappropriated Earnings | Total                |   |                            |
| \$ 1,028,005        | \$ 379,840                         | \$ 3,667,054            | \$ 5,074,899         | \$ 1,206,273  | \$ 15,270,140              |
| 65,288              | -                                  | (65,288)                | -                    | -   | -                          |
| -                   | -                                  | 2,883,898               | 2,883,898            | -   | 2,883,898                  |
| -                   | -                                  | -                       | -                    | (988,694)   | (988,694)                  |
| 1,093,293           | 379,840                            | 6,485,664               | 7,958,797            | 217,579   | 17,165,344                 |
| 288,390             | -                                  | (288,390)               | -                    | -   | -                          |
| -                   | -                                  | (1,680,000)             | (1,680,000)          | -   | (1,680,000)                |
| -                   | -                                  | 3,831,565               | 3,831,565            | -   | 3,831,565                  |
| -                   | -                                  | -                       | -                    | 246,575   | 246,575                    |
| <u>\$ 1,381,683</u> | <u>\$ 379,840</u>                  | <u>\$ 8,348,839</u>     | <u>\$ 10,110,362</u> | <u>\$ 464,154</u>                                   | <u>\$ 19,563,484</u>       |

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

## YULON NISSAN MOTOR COMPANY, LTD.

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|   | 2011         | 2010         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |              |              |
| Net income  | \$ 3,831,565 | \$ 2,883,898 |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Depreciation and amortization   | 485,841      | 591,736      |
| Loss (gain) on sale of investments, net   | 38,088       | (25,380)     |
| Equity in net income of investees   | (3,420,248)  | (2,854,846)  |
| Gain from valuation of financial assets   | (13,711)     | (14,838)     |
| Loss on disposal of property, plant and equipment, net                            | 71           | 603          |
| Deferred income taxes   | 670,363      | 472,937      |
| Provision for pension costs   | 19,594       | 25,134       |
| Provision for loss on inventory purchase commitment                               | 57,785       | 30,028       |
| Provision for warranty liabilities  | 34,200       | 37,055       |
| Net changes in operating assets and liabilities                                   |              |              |
| Financial assets at fair value through profit or loss                             | (175,630)    | (940,940)    |
| Notes and accounts receivable   | 4,042        | 2,859        |
| Notes and accounts receivable - related parties                                   | (214,502)    | 74,131       |
| Other financial assets  | 161,311      | (560,090)    |
| Inventories   | (777)        | (122)        |
| Prepayments   | (29,069)     | (1,648)      |
| Other current assets  | (415)        | 36,632       |
| Notes and accounts payable  | 63,011       | 78,542       |
| Notes and accounts payable - related parties                                      | 494,916      | 241,609      |
| Income tax payable  | 162,253      | (22,429)     |
| Accrued expenses  | 73,465       | 174,185      |
| Other current liabilities   | 3,146        | 1,987        |
| Net cash provided by operating activities   | 2,245,299    | 231,043      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |              |              |
| Acquisition of property, plant and equipment                                      | (12,455)     | (8,847)      |
| Decrease (increase) in refundable deposits  | (16,970)     | 4,680        |
| Increase in deferred charges  | (469,089)    | (240,507)    |
| Net cash used in investing activities   | (498,514)    | (244,674)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |              |              |
| Cash dividend paid  | (1,680,000)  | -            |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                       | 66,785       | (13,631)     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                               | 677,127      | 690,758      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                     | \$ 743,912   | \$ 677,127   |

(Continued)

**YULON NISSAN MOTOR COMPANY, LTD.**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|                                    | <u>2011</u>      | <u>2010</u>     |
|------------------------------------|------------------|-----------------|
| SUPPLEMENTAL CASH FLOW INFORMATION |                  |                 |
| Cash paid for                      |                  |                 |
| Interest                           | \$ 1,193         | \$ 1,256        |
| Income tax                         | <u>\$ 77,075</u> | <u>\$ 9,834</u> |

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

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

### 1. ORGANIZATION AND OPERATIONS

Yulon Nissan Motor Company Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company is a spin-off from Yulon Motor Co., Ltd. (“Yulon”) intended to increase Yulon’s competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003. Yulon initially held 100% equity interest in the Company but then transferred its 40% equity to Nissan Motor Co., Ltd. (“Nissan”), a Japanese motor company, on October 30, 2003. The Company became listed on December 21, 2004 after the initial public offering application of the Company was accepted by the Taiwan Stock Exchange Corporation on October 6, 2004.

As of December 31, 2011 and 2010, the Company had 425 and 408 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (“ROC”). The Company’s significant accounting policies are summarized as follows:

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

#### Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction dates. Gains or losses realized upon the settlement of a foreign-currency transaction are included in the period in which the transaction is settled. On the balance sheet dates, the balances of the foreign currency-denominated assets and liabilities are adjusted to reflect the prevailing exchange rates, and the resulting gains or losses are recorded as follows:

- a. Long-term equity investments are treated as cumulative translation adjustment under stockholders’ equity; and
- b. Other assets and liabilities are treated as credits or charges to current year’s income.



### **Accounting Estimates**

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of properties, deferred charges amortization, warranty, pension, and bonuses to employees. Actual results may differ from these estimates.

### **Current/Noncurrent Assets and Liabilities**

Current assets are unrestricted cash, cash equivalents and other assets held for trading, to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due within one year from the balance sheet date. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

### **Cash Equivalent**

Cash equivalents are commercial papers purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

### **Financial Instruments at Fair Value Through Profit or Loss**

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading upon purchase. Once the Company becomes a contractual party in a financial instrument arrangement, the financial instruments are eligible for classification as assets or liabilities. Financial asset is derecognized when the Company has lost control of its contractual rights over the asset. Financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value with the changes in fair value recognized in earnings. Cash dividends received (including in the first year of investments) are recognized as income. A regular purchase or sale of financial assets is recognized and derecognized using settlement date accounting.

The basis for determining the fair value of mutual funds is net assets value or redemption price as of balance sheet date.

### **Impairment of Accounts Receivable**

Before January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivable. On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account.

**Inventories**

Inventories are stated at the lower of weighted-average cost or net realizable value. Inventory write-downs are made item 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. Cost of sales includes the cost of inventories sold, warranty cost, loss on inventory purchase commitment, write-downs of inventories to net realizable value and any reversal of write-downs.

**Long-term Equity Investments**

Under the equity method, long-term investments are stated at cost on the acquisition date and subsequently adjusted for the Company's proportional equity share in the investees' net income and stockholders' equity in the same accounting period. Cash dividends received are accounted for as reductions of the carrying value of the investments. If an investee raises capital by issuing additional common stocks and the Company does not purchase the additional stocks, the Company will adjust its capital surplus account or unappropriated retained earnings account in proportion to its new equity in the investee's assets.

Stock dividends received from an investee are accounted for as increases in the number of shares held and are not recognized as investment income.

The costs of equity investments sold are determined using the weighted-average method.

An impairment loss is recognized when there is objective evidence indicating that the recoverable amount of an asset is less than its carrying amount.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Major renewals and betterments are capitalized, while maintenance and repairs are expensed immediately.

Depreciation expense is determined based upon the asset's estimated useful life using the straight-line method. The estimated useful lives are as follows: machinery and equipment, 3 to 10 years; transportation equipment, 4 to 5 years; tools, 2 to 5 years; computer equipment, 2 to 5 years; other equipment, 2 to 15 years; and leasehold improvement, 3 to 5 years. When properties are retired or disposed, their costs, related accumulated depreciation and related accumulated impairment are removed from the accounts, and gains or losses are recognized as nonoperating income and expenses.

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation.

**Deferred Charges**

Deferred charges are amortized as follows: (a) costs of molds and development costs for new model and dies are amortized on the basis of production volume; and (b) other deferred charges are amortized by the straight-line method over three years.

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated amortization.

### **Warranty**

Warranty is the estimated cost of rendering free after-sales services to the car buyers within the warranty period.

### **Pensions**

Pension costs subject to a defined benefit plan are recognized according to actuarial report. Unrecognized net transition obligation is amortized over 15 years. Prior service cost and pension gain (loss) are amortized using the straight-line method over the average remaining service years of employees. When a curtailment or settlement occurs, any gains or losses of this curtailment or settlement are accounted for as pension costs. Pension costs subject to defined contribution plan are recognized according to the amount of contributions by the Company during the employees' service period.

### **Income Tax**

The Company accounts for income tax using the asset and liability method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if available evidence indicates it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

Tax credits for research and development expenditures are recognized using the flow-through method.

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

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.

### **Revenue Recognition**

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable. Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of

the consideration is not determined by discounting all future receipts using an imputed rate of interest.

### 3. REASON AND EFFECT OF THE CHANGES IN ACCOUNTING PRINCIPLE

#### Accounting for Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision is loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no effect on the Company's net income and after income tax basic earnings per share for the year ended December 31, 2011.

#### Disclosure of Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 "Segment Reporting." For this accounting change, the Company disclosed the segment information in the consolidated financial statements as of and for the year ended December 31, 2011.

### 4. CASH AND CASH EQUIVALENTS

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2011</b>        | <b>2010</b>       |
| Cash   |                    |                   |
| Cash on hand   | \$ 20              | \$ 20             |
| Checking accounts and demand deposits                                      | 430,283            | 329,183           |
| Time deposits, annual yield rate - 2011: 0.87%-0.94%;<br>2010: 0.50%-0.70% | 154,000            | 101,500           |
| Foreign-currency demand deposits   | <u>159,609</u>     | <u>234,636</u>    |
|  | 743,912            | 665,339           |
| Cash equivalents   |                    |                   |
| Foreign commercial papers, annual yield rate - 2010:<br>1.50%              | -                  | 11,788            |
|  | <u>\$ 743,912</u>  | <u>\$ 677,127</u> |

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

|                                   | <b>December 31</b>  |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>2011</b>         | <b>2010</b>         |
| Financial assets held for trading |                     |                     |
| Mutual funds                      | <u>\$ 2,262,001</u> | <u>\$ 2,110,748</u> |

Net gain (loss) on financial assets held for trading in 2011 and 2010 was \$(24,377) thousand and \$40,218 thousand, respectively.

## 6. NOTES AND ACCOUNTS RECEIVABLE

|                     | <b>December 31</b> |                  |
|---------------------|--------------------|------------------|
|                     | <b>2011</b>        | <b>2010</b>      |
| Notes receivable    | \$ 430             | \$ 256           |
| Accounts receivable | <u>21,987</u>      | <u>26,203</u>    |
|                     | <u>\$ 22,417</u>   | <u>\$ 26,459</u> |

## 7. OTHER FINANCIAL ASSETS

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2011</b>        | <b>2010</b>       |
| Receivable on sale of securities | \$ 437,949         | \$ 576,039        |
| Tax refund receivable            | 2,088              | 33,339            |
| Interest receivable              | 31                 | 89                |
| Others                           | <u>12,577</u>      | <u>4,489</u>      |
|                                  | <u>\$ 452,645</u>  | <u>\$ 613,956</u> |

## 8. INVENTORIES

|       | <b>December 31</b> |                 |
|-------|--------------------|-----------------|
|       | <b>2011</b>        | <b>2010</b>     |
| Parts | <u>\$ 1,793</u>    | <u>\$ 1,016</u> |

The cost of inventories recognized as cost of sales in 2011 was \$27,380,203 thousand, which included warranty cost of \$82,211 thousand and loss on inventory purchase commitment of \$57,785 thousand. The cost of inventories recognized as cost of sales in 2010 was \$23,671,057 thousand, which included warranty cost of \$114,932 thousand and loss on inventory purchase commitment of \$30,028 thousand.

## 9. LONG-TERM EQUITY INVESTMENTS

|                                      | December 31          |                |                      |                |
|--------------------------------------|----------------------|----------------|----------------------|----------------|
|                                      | 2011                 |                | 2010                 |                |
|                                      | Carrying Value       | % of Ownership | Carrying Value       | % of Ownership |
| Yi-Jan Overseas Investment Co., Ltd. | \$ <u>19,069,822</u> | 100            | \$ <u>15,402,999</u> | 100            |

Through Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.), the Company indirectly owns the following companies:

| Investee                              | Percentage of Ownership | Accumulated Investment Amount (In Thousands) as of December 31, 2011 |               |
|---------------------------------------|-------------------------|--|---------------|
| Aeolus Xiangfan Automobile Co., Ltd.  | 16.55                   | US\$   | 21,700        |
| Guangzhou Aeolus Automobile Co., Ltd. | 40.00                   |  | 16,941        |
| Aeolus Automobile Co., Ltd.           | 25.00                   |  | 10,890        |
| Shenzhen Lan You Technology Co., Ltd. | 45.00                   |  | 1,125         |
| Dong Feng Yulon Used Cars Co., Ltd.   | 49.00                   |  | <u>593</u>    |
|                                       |                         | US\$   | <u>51,249</u> |

Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.) sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. for US\$7,711 thousand (RMB49,000 thousand) in November 2011 and the gain on the sale of investments was US\$1,824 thousand.

The Company invested US\$200 thousand in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. Yi Hsing Corporation engaged in making inquiries about selling prices of motor parts and engages in commission-based businesses. The operating activities of Yi Hsing Corporation had been terminated in February 2011; its liquidation had been completed on February 8, 2012.

All accounts of the Company's subsidiaries were included in the consolidated financial statements.

## 10. PROPERTY, PLANT AND EQUIPMENT

|                          | December 31       |                   |
|--------------------------|-------------------|-------------------|
|                          | 2011              | 2010              |
| Accumulated depreciation |                   |                   |
| Machinery and equipment  | \$ 17,282         | \$ 16,560         |
| Transportation equipment | 3,983             | 3,792             |
| Tools                    | 4,435             | 3,801             |
| Computer equipment       | 70,098            | 64,629            |
| Other equipment          | 67,650            | 63,399            |
| Leasehold improvement    | <u>3,566</u>      | <u>1,994</u>      |
|                          | <u>\$ 167,014</u> | <u>\$ 154,175</u> |

Depreciation of property, plant and equipment amounted to \$16,058 thousand in 2011 and \$16,944 thousand in 2010.

## 11. DEFERRED CHARGES

|                   | <b>December 31</b>  |                     |
|-------------------|---------------------|---------------------|
|                   | <b>2011</b>         | <b>2010</b>         |
| Molds             | \$ 1,178,416        | \$ 1,146,798        |
| Dies              | 248,817             | 277,769             |
| Computer software | <u>12,740</u>       | <u>16,100</u>       |
|                   | <u>\$ 1,439,973</u> | <u>\$ 1,440,667</u> |

Amortization of deferred charges amounted to \$469,783 thousand and \$574,792 thousand in 2011 and 2010, respectively.

## 12. ACCRUED EXPENSES

|                    | <b>December 31</b> |                   |
|--------------------|--------------------|-------------------|
|                    | <b>2011</b>        | <b>2010</b>       |
| Wages and bonuses  | \$ 270,500         | \$ 261,878        |
| Promotion expenses | 165,257            | 122,464           |
| Others             | <u>124,171</u>     | <u>102,121</u>    |
|                    | <u>\$ 559,928</u>  | <u>\$ 486,463</u> |

## 13. STOCKHOLDERS' EQUITY

### a. Capital stock

The registered capital was \$6,000,000 thousand and issued and outstanding shares amounted to \$3,000,000 thousand.

### b. Capital surplus

Under the ROC Company Law, capital surplus can only be used to offset deficit. However, the capital surplus from shares issued in excess of par (i.e., excess from spin-off) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term equity investments may not be used for any purpose.

### c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income, less any accumulated deficit. The remainder of this income should be

appropriated as follows:

- 1) 1% to 5% as bonus to employees.
- 2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

The Company operates in a mature and stable industry. In determining the ratio of cash dividends to stock dividends, the Company considers factors such as the impact of dividends on reported profitability, cash required for future operations, any potential changes in the industry, interest of the stockholders and the effect on the Company's financial ratios. Thus, cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2011 was calculated at 1.20% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2010 was calculated at 2.50% of net income net of the 10% deduction for legal reserve.

If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under the Company Law, legal reserve should be appropriated until the balance equals to the Company's capital. This reserve may only be used to offset deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Securities and Exchange Act, where the Securities and Futures Bureau of Financial Supervisory Commission of the Executive Yuan deems necessary, an amount equal to the net debit balance of certain stockholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 and the distribution of the 2009 earnings of the Company approved by the stockholders on June 21, 2010 were as follows:

|               | <u>Appropriation of Earnings</u> |             | <u>Earnings Per Share</u> |             |
|---------------|----------------------------------|-------------|---------------------------|-------------|
|               | <u>2010</u>                      | <u>2009</u> | <u>2010</u>               | <u>2009</u> |
| Legal reserve | \$ 288,390                       | \$ 65,288   |                           |             |
| Cash dividend | 1,680,000                        | -           | \$ 5.60                   | \$ -        |

The cash bonus to employees of \$64,824 thousand for 2010 was approved in stockholders' meeting on June 23, 2011. The approved amount of the cash bonus to employees was not



different from the accrual amount of \$64,824 thousand reflected in the financial statements for the year ended December 31, 2010.

The cash bonus to employees of \$15,277 thousand for 2009 was approved in stockholders' meeting on June 21, 2010. The approved amount of the cash bonus to employees was not different from the accrual amount of \$15,277 thousand reflected in the financial statements for the year ended December 31, 2009.

As of March 23, 2012, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2011 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2011 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

- d. As of December 31, 2011, the changes in cumulative translation adjustments were as follows:

|                                     | <u>2011</u>       | <u>2010</u>       |
|-------------------------------------|-------------------|-------------------|
| Balance, beginning of year          | \$ 217,579        | \$ 1,206,273      |
| Reclassified to profit or loss item | (1,009,693)       | (62,185)          |
| Recognized in adjustment of equity  | <u>1,256,268</u>  | <u>(926,509)</u>  |
| Balance, end of year                | <u>\$ 464,154</u> | <u>\$ 217,579</u> |

#### 14. TECHNICAL COOPERATION AGREEMENT

The Company has a technical cooperation agreement (the "TCA") with Nissan. The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$447,442 thousand in 2011 and \$406,663 thousand in 2010, were recorded under cost of sales.

#### 15. INCOME TAX

- a. The reconciliation between income tax expense computed by applying the statutory income tax rate (17%) to income before income tax and income tax payable was as follows:

|  | <u>2011</u>       | <u>2010</u>   |
|--|-------------------|---------------|
| Income tax expense computed on the basis of income before income tax at statutory tax rate | \$ 781,644        | \$ 568,515    |
| Add (deduct) tax effects of:   |                   |               |
| Permanent differences  | 13,337            | 4,688         |
| Temporary differences  | (591,554)         | (515,566)     |
| Loss carryforwards used  | (40,468)          | (57,637)      |
| Investment tax credits   | (45,093)          | (58,759)      |
| Additional tax on retained earnings (10%)  | <u>91,551</u>     | <u>58,759</u> |
| Income tax payable   | <u>\$ 209,417</u> | <u>\$ -</u>   |

The balance of the income tax payable shown on the balance sheet as of December 31, 2011 was net of prepaid income tax and included income tax payable of previous years. The balance of the income tax payable shown on the balance sheet as of December 31, 2010 was income tax payable of previous years.

Income tax returns through 2008 had been examined by the tax authorities.

- b. Income tax expense consisted of the following:

|                                     | <u>2011</u>       | <u>2010</u>       |
|-------------------------------------|-------------------|-------------------|
| Income tax payable                  | \$ 209,417        | \$ -              |
| Deferred income tax                 | 670,363           | 472,937           |
| Prior year's income tax adjustments | <u>(113,438)</u>  | <u>(12,631)</u>   |
| Income tax expense                  | <u>\$ 766,342</u> | <u>\$ 460,306</u> |

Prior years' income tax adjustments arose from tax exemption from 2004 to 2007 as re-examined by tax authorities.

In May 2010, the Legislative Yuan of the Republic of China passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate to 17%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax benefit or expense.

- c. Deferred income tax assets and liabilities consisted of the following:

|  | <u>December 31</u>    |                       |
|--|-----------------------|-----------------------|
|  | <u>2011</u>           | <u>2010</u>           |
| Current  |                       |                       |
| Provision for loss on inventory purchase commitment                  | \$ 21,053             | \$ 11,229             |
| Provision for warranty   | 9,139                 | 8,921                 |
| Unrealized foreign exchange loss                                     | 3,928                 | 2,969                 |
| Investment tax credit  | -                     | 45,093                |
| Loss carryforwards   | <u>-</u>              | <u>38,758</u>         |
| Net deferred income tax assets                                       | <u>\$ 34,120</u>      | <u>\$ 106,970</u>     |
| Noncurrent   |                       |                       |
| Provision for pension  | 79,868                | 76,401                |
| Impairment loss difference between financial accounting and taxation | 43,954                | 70,515                |
| Provision for warranty   | 14,891                | 9,295                 |
| Investment tax credits   | 2,427                 | 1,001                 |
| Equity in net income of overseas subsidiaries                        | <u>(1,977,961)</u>    | <u>(1,396,520)</u>    |
| Net deferred income tax liabilities                                  | <u>\$ (1,836,821)</u> | <u>\$ (1,239,308)</u> |

The Company has investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries. As of

December 31, 2011, the amount of the investment under the plans totaled \$24,268 thousand, with investment tax credits amount of \$2,427 thousand.

d. Information on the Imputation Tax System is as follows:

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2011</b>        | <b>2010</b>       |
| Balance of imputation credit account ("ICA") | <u>\$ 219,689</u>  | <u>\$ 415,003</u> |

The estimated ICA rate for the 2011 earnings as of December 31, 2011 and the actual ICA rate for the 2010 earnings were 5.19% and 4.86%, respectively.

The credit available for allocation to the stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2011 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

## 16. PENSION PLAN

The pension calculation under the Labor Pension Act is considered as a defined contribution plan. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's monthly salary or wage. The Company contributes amounts equal to 6% of each employee's monthly salary since July 1, 2005.

Pension expenses recognized under the defined contribution plan were \$11,240 thousand and \$10,094 thousand in 2011 and 2010, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,021 thousand and \$1,823 thousand as of December 31, 2011 and 2010, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company has set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Company makes monthly contributions to a retirement fund amounts equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan.

The status of the defined benefit pension plan as of and for the years ended December 31, 2011 and 2010 is summarized as follows:

|                                     | <b>December 31</b> |                  |
|-------------------------------------|--------------------|------------------|
|                                     | <b>2011</b>        | <b>2010</b>      |
| a. Net pension cost was as follows: |                    |                  |
| Service cost                        | \$ 6,766           | \$ 11,296        |
| Interest cost                       | 10,971             | 10,029           |
| Expected return of pension assets   | (106)              | (208)            |
| Amortization                        | <u>12,004</u>      | <u>12,004</u>    |
| Net pension cost                    | <u>\$ 29,635</u>   | <u>\$ 33,121</u> |

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2011</b>        | <b>2010</b>       |
| b. The reconciliation between the fund status and pension liabilities is summarized as follows: |                    |                   |
| Benefit obligations:  |                    |                   |
| Vested benefit obligation   | \$ 211,186         | \$ 206,465        |
| Non-vested benefit obligation   | <u>196,675</u>     | <u>198,352</u>    |
| Accumulated benefit obligation  | 407,861            | 404,817           |
| Additional benefits based on future salaries  | <u>135,278</u>     | <u>143,743</u>    |
| Projected benefit obligation  | 543,139            | 548,560           |
| Fair value of plan assets   | <u>(5,458)</u>     | <u>(2,352)</u>    |
| Funded status   | 537,681            | 546,208           |
| Prior service cost  | (19,912)           | (22,416)          |
| Benefit obligations:  |                    |                   |
| Unrecognized net transition obligation  | (32,521)           | (42,021)          |
| Unrecognized net loss   | <u>(17,089)</u>    | <u>(34,008)</u>   |
| Accrued pension liability   | <u>\$ 468,159</u>  | <u>\$ 447,763</u> |
| c. Vested benefits  | <u>\$ 276,202</u>  | <u>\$ 273,966</u> |
| d. Actuarial assumptions  |                    |                   |
| Discount rate   | 2.00%              | 2.00%             |
| Rate of salary increase   | 2.50%              | 2.50%             |
| Expected rate of return on plan assets  | 2.00%              | 2.00%             |
| e. Contributions and payments   |                    |                   |
| Contributions   | <u>\$ 5,855</u>    | <u>\$ 8,278</u>   |
| Payments  | <u>\$ 6,187</u>    | <u>\$ 13,536</u>  |

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

|                            | <b>2011</b>               |                               |                   |
|----------------------------|---------------------------|-------------------------------|-------------------|
|                            | <b>Operating<br/>Cost</b> | <b>Operating<br/>Expenses</b> | <b>Total</b>      |
| Personnel expenses         |                           |                               |                   |
| Salaries                   | \$ 1,043                  | \$ 559,308                    | \$ 560,351        |
| Labor and health insurance | -                         | 27,651                        | 27,651            |
| Pension                    | -                         | 39,524                        | 39,524            |
| Other personnel expenses   | <u>-</u>                  | <u>25,589</u>                 | <u>25,589</u>     |
|                            | <u>\$ 1,043</u>           | <u>\$ 652,072</u>             | <u>\$ 653,115</u> |
| Depreciation               | <u>\$ -</u>               | <u>\$ 16,058</u>              | <u>\$ 16,058</u>  |
| Amortization               | <u>\$ 463,283</u>         | <u>\$ 6,500</u>               | <u>\$ 469,783</u> |

|                            | <b>2010</b>               |                               |                   |
|----------------------------|---------------------------|-------------------------------|-------------------|
|                            | <b>Operating<br/>Cost</b> | <b>Operating<br/>Expenses</b> | <b>Total</b>      |
| Personnel expenses         |                           |                               |                   |
| Salaries                   | \$ 982                    | \$ 516,921                    | \$ 517,903        |
| Labor and health insurance | -                         | 25,640                        | 25,640            |
| Pension                    | -                         | 41,035                        | 41,035            |
| Other personnel expenses   | -                         | 22,609                        | 22,609            |
|                            | <u>\$ 982</u>             | <u>\$ 606,205</u>             | <u>\$ 607,187</u> |
| Depreciation               | <u>\$ 1,558</u>           | <u>\$ 15,386</u>              | <u>\$ 16,944</u>  |
| Amortization               | <u>\$ 564,226</u>         | <u>\$ 10,566</u>              | <u>\$ 574,792</u> |

## 18. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (“EPS”) were as follows:

|  | <u>Amounts (Numerator)</u>                  |                       |   | <u>EPS (Dollars)</u>                        |                       |
|--|---|-----------------------|---|---|-----------------------|
|  | <u>Income<br/>Before<br/>Income<br/>Tax</u> | <u>Net<br/>Income</u> | <u>Shares<br/>(Denominator)<br/>(Thousands)</u> | <u>Income<br/>Before<br/>Income<br/>Tax</u> | <u>Net<br/>Income</u> |
| <u>2011</u>  |   |                       |   |   |                       |
| Basic EPS  |   |                       |   |   |                       |
| Income for the period<br>attributable to common<br>stockholders  | \$4,597,907                                 | \$3,831,565           | 300,000   | <u>\$ 15.33</u>                             | <u>\$ 12.77</u>       |
| Effect of dilutive potential<br>common stock   |   |                       |   |   |                       |
| Bonus to employees   | -   | -                     | 496   |   |                       |
| Diluted EPS  |   |                       |   |   |                       |
| Income for the period<br>attributable to common<br>stockholders plus effect of<br>potential dilutive common<br>stock | <u>\$4,597,907</u>                          | <u>\$3,831,565</u>    | <u>300,496</u>                                  | <u>\$ 15.30</u>                             | <u>\$ 12.75</u>       |
| <u>2010</u>  |   |                       |   |   |                       |
| Basic EPS  |   |                       |   |   |                       |
| Income for the period<br>attributable to common<br>stockholders  | \$ 3,344,204                                | \$2,883,89            | 300,000   | <u>\$ 11.15</u>                             | <u>\$ 9.61</u>        |
| Effect of dilutive potential<br>common stock   |   |                       |   |   |                       |
| Bonus to employees   | -   | -                     | 353   |   |                       |

## Diluted EPS

|  |                    |                   |                |                 |                |
|--|--------------------|-------------------|----------------|-----------------|----------------|
| Income for the period attributable to common stockholders plus effect of potential dilutive common stock | <u>\$3,344,204</u> | <u>\$2,883,89</u> | <u>300,353</u> | <u>\$ 11.13</u> | <u>\$ 9.60</u> |
|--|--------------------|-------------------|----------------|-----------------|----------------|

The Accounting Research and Development Foundation of Republic of China issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price (after considering the effect of cash and stock dividends) of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolved the number of shares to be distributed to employees at their meeting in the following year.

## 19. RELATED-PARTY TRANSACTIONS

The Company had business transactions with the following related parties:

### a. Related parties

| <u>Related Party</u>                  | <u>Relationship with the Company</u>               |
|---------------------------------------|--|
| Nissan Motor Corporation (“Nissan”)   | Parent company                                     |
| Nissan Trading Co., Ltd.              | Subsidiary of Nissan                               |
| Nissan S.A. (Pty) Ltd.                | Same as above                                      |
| Nissan Motor Egypt S.A.E.             | Same as above                                      |
| PT. Nissan Motor Indonesia (“NMI”)    | Same as above                                      |
| Nissan Asia Pacific Pte. Ltd.         | Same as above                                      |
| Nissan Vietnam Co., Ltd.              | Equity-method investee of Nissan                   |
| Nissan Motors Co., Ltd. Honmoku Plant | Same as above                                      |
| Ashok Leyland Nissan Vehicles Ltd.    | Same as above                                      |
| Nissan Motor (Thailand) Co., Ltd.     | Cost-method investee of Nissan                     |
| Allied Engineering Co., Ltd.          | Same as above                                      |
| Zhengzhou Nissan Automobile Co., Ltd. | Same as above                                      |
| Chien Tai Industry Co., Ltd.          | Same as above                                      |
| Taiwan Calsonic Co., Ltd.             | Same as above                                      |
| Dong Feng Yi Jin Co., Ltd             | Equity-method investee of Nissan                   |
| Dongfeng Nissan Passenger Vehicle Co. | Same as above                                      |
| Yi-Jan Overseas Investment Co., Ltd.  | Subsidiary   |
| Jet Ford, Inc.                        | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. |
| Yi Hsing Corporation                  | Same as above                                      |
| Lan You Technology Co., Ltd.          | Equity-method investee of Jet Ford, Inc.           |
| Yulon Motor Co., Ltd. (“Yulon”)       | Equity-method investor of the Company              |

(Continued)

| <b>Related Party</b>   | <b>Relationship with the Company</b>                                    |
|--|---|
| Taiwan Acceptance Corporation                                | Subsidiary of Yulon   |
| Yueki Industrial Co., Ltd.                                   | Same as above   |
| Yue Sheng Industrial Co., Ltd.                               | Same as above   |
| Nissan Taiwan Ltd.   | Same as above   |
| Yu Pong Business Co., Ltd.                                   | Same as above   |
| Yu Ching Business Co., Ltd.                                  | Same as above   |
| Yushin Motor Co., Ltd.                                       | Same as above   |
| Chi Long Motor Co., Ltd.                                     | Same as above   |
| Yu Chang Motor Co., Ltd.                                     | Same as above   |
| Sin Etke Technology Co., Ltd.                                | Same as above   |
| Yu Sing Motor Co., Ltd.                                      | Same as above   |
| Empower Motor Co., Ltd.                                      | Same as above   |
| Uni Auto Parts Co., Ltd.                                     | Same as above   |
| Chan Yun Technology Co., Ltd.                                | Same as above   |
| Y-teks, Co.  | Same as above   |
| Singan Co., Ltd.   | Same as above   |
| Luxgen Motor Co., Ltd.                                       | Same as above   |
| Singual Technology Co., Ltd.                                 | Subsidiary of Singan Co., Ltd.  |
| Hsiang Shou Enterprise Co., Ltd.                             | Same as above   |
| Hong Shou Culture Enterprise Co., Ltd.                       | Same as above   |
| Sinboum Travel Service Co., Ltd.                             | Same as above (merged with Andes Travel Service Ltd. in September 2011) |
| Uni Calsonic Corporation                                     | Equity-method investee of Yulon   |
| Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.)      | Same as above   |
| Yuan Lon Motor Co., Ltd.                                     | Same as above   |
| Chen Long Co., Ltd.  | Same as above   |
| ROC Spicer Ltd.  | Same as above   |
| China Motor Corporation                                      | Same as above   |
| Chi Ho Corporation   | Same as above   |
| Yu Tang Motor Co., Ltd.                                      | Same as above   |
| Tokio Marine Newa Insurance Co., Ltd.                        | Same as above   |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | Same as above   |
| Hui-Lian Motor Co.   | Same as above   |
| Ka-Plus Automobile Leasing Co., Ltd.                         | Subsidiary of Taiwan Acceptance Corporation                             |
| Sinjang Co., Ltd.  | Same as above   |
| Visionary International Consulting Co., Ltd.                 | Subsidiary of Yulon Management Co., Ltd.                                |
| Yu Pool Co., Ltd.  | Subsidiary of Yushin Motor Co., Ltd.                                    |
| Chu-Miao Scupio Co., Ltd.                                    | Same as above   |
| Yu-Jan Co., Ltd.   | Subsidiary of Yu Sing Motor Co., Ltd.                                   |
| China Ogihara Corporation                                    | Subsidiary of China Motor Corporation                                   |
| Tan Wang Co., Ltd.   | Subsidiary of Yu Chang Motor Co., Ltd.                                  |
| Tang Li Enterprise Co., Ltd.                                 | Subsidiary of Yu Tang Motor Co., Ltd.                                   |
| Nissan Motor Philippines, Inc. (NMPI)                        | Equity-method investee of Yulon   |
| Taiway, Ltd.   | Same as above   |
| Ding Long Motor Co., Ltd                                     | Subsidiary of Chen Long Co., Ltd.                                       |

(Continued)

| <u>Related Party</u>                  | <u>Relationship with the Company</u>               |
|---------------------------------------|--|
| Lian Cheng Motor Co., Ltd.            | Same as above                                      |
| CL Skylite Trading Co., Ltd.          | Substantial related party of Chen Long Co., Ltd.   |
| Yuan Jyh Motor Co., Ltd.              | Subsidiary of Yuan Lon Motor Co., Ltd.             |
| Kian Shen Corporation                 | Substantial related party of Yulon                 |
| Tsung Ho Enterprise Co., Ltd.         | Subsidiary of Chi Ho Corporation                   |
| Diamond Leasing Service Co., Ltd.     | Subsidiary of Ka-Plus Automobile Leasing Co., Ltd. |
| Hsieh Kuan Manpower Service Co., Ltd. | Subsidiary of Diamond Leasing Service Co., Ltd.    |

- b. The prices and payment terms for related-party transactions were based on agreements.
- c. Significant transactions with related parties are summarized as follows:

|                                      | <u>2011</u>          |                   | <u>2010</u>          |                   |
|--------------------------------------|----------------------|-------------------|----------------------|-------------------|
|                                      | <u>Amount</u>        | <u>% to Total</u> | <u>Amount</u>        | <u>% to Total</u> |
| 1) Operating revenue - sales revenue |                      |                   |                      |                   |
| Taiwan Acceptance Corporation        | \$ 28,208,372        | 88                | \$ 24,031,493        | 88                |
| Yuan Lon Motor Co., Ltd.             | 343,044              | 1                 | 310,863              | 1                 |
| Chi Ho Corporation                   | 327,618              | 1                 | 249,653              | 1                 |
| Yu Chang Motor Co., Ltd.             | 323,246              | 1                 | 322,467              | 1                 |
| Yu Sing Motor Co., Ltd.              | 283,632              | 1                 | 268,671              | 1                 |
| Empower Motor Co., Ltd.              | 278,924              | 1                 | 201,575              | 1                 |
| Yushin Motor Co., Ltd.               | 217,673              | 1                 | 192,841              | 1                 |
| Chen Long Co., Ltd.                  | 217,136              | 1                 | 208,282              | 1                 |
| Hui-Lian Motor Co., Ltd.             | 214,065              | 1                 | 194,106              | 1                 |
| Yu Tang Motor Co., Ltd.              | 211,013              | -                 | 191,514              | -                 |
| Nissan Motor Egypt S.A.E.            | 154,768              | -                 | 187,587              | -                 |
| NMPI                                 | 79,131               | -                 | 94,752               | -                 |
| Sin Etke Technology Co., Ltd.        | 68,602               | -                 | 47,272               | -                 |
| Others                               | <u>599,732</u>       | <u>2</u>          | <u>429,955</u>       | <u>2</u>          |
|                                      | <u>\$ 31,526,956</u> | <u>98</u>         | <u>\$ 26,931,031</u> | <u>98</u>         |

2) Operating revenue - service revenue

|   |                  |            |                  |            |
|---|------------------|------------|------------------|------------|
| Nissan  | <u>\$ 11,354</u> | <u>100</u> | <u>\$ 15,805</u> | <u>100</u> |
| The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts. |                  |            |                  |            |



|  | 2011             |            | 2010             |            |
|--|------------------|------------|------------------|------------|
|  | Amount           | % to Total | Amount           | % to Total |
| 3) Operating revenue - other                                 |                  |            |                  |            |
| Yulon  | \$ 39,197        | 71         | \$ 23,631        | 43         |
| Zhengzhou Nissan Automobile Co., Ltd.                        | 11,227           | 20         | 20,557           | 38         |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 4,021            | 7          | 5,531            | 10         |
| Others   | <u>730</u>       | <u>1</u>   | <u>1,016</u>     | <u>2</u>   |
|  | <u>\$ 55,175</u> | <u>99</u>  | <u>\$ 50,735</u> | <u>93</u>  |

Other operating revenue of the Company arose from selling steel plates, steel and aluminum parts, and engaging in vehicles identification and testing.

|                              | 2011                 |            | 2010                 |            |
|------------------------------|----------------------|------------|----------------------|------------|
|                              | Amount               | % to Total | Amount               | % to Total |
| 4) Operating cost - purchase |                      |            |                      |            |
| Yulon                        | \$ 26,193,323        | 99         | \$ 22,425,521        | 99         |
| Others                       | <u>73,553</u>        | <u>-</u>   | <u>72,741</u>        | <u>-</u>   |
|                              | <u>\$ 26,266,876</u> | <u>99</u>  | <u>\$ 22,498,262</u> | <u>99</u>  |

|   |                   |            |                   |            |
|---|-------------------|------------|-------------------|------------|
| 5) Operating cost - Technical Cooperation Agreement ("TCA") |                   |            |                   |            |
| Nissan  | <u>\$ 447,442</u> | <u>100</u> | <u>\$ 406,663</u> | <u>100</u> |

|                                       |                  |           |                  |           |
|---------------------------------------|------------------|-----------|------------------|-----------|
| 6) Operating expenses - rental        |                  |           |                  |           |
| Yulon                                 | \$ 21,788        | 31        | \$ 20,959        | 36        |
| Ka-Plus Automobile Leasing Co., Ltd.  | 7,662            | 11        | 8,515            | 15        |
| Sin Etke Technology Co., Ltd.         | 2,916            | 4         | 2,916            | 5         |
| Hsieh Kuan Manpower Service Co., Ltd. | 2,572            | 4         | 860              | 1         |
| Tang Li Enterprise Co., Ltd.          | 1,273            | 2         | 805              | 1         |
| Others                                | <u>250</u>       | <u>-</u>  | <u>202</u>       | <u>-</u>  |
|                                       | <u>\$ 36,461</u> | <u>52</u> | <u>\$ 34,257</u> | <u>58</u> |

The Company's rental expenses paid monthly to Yulon are primarily comprised of customer service system, building property and car testing expenses. The Company leases cars, as needed for its executives, from Ka-Plus Automobile Leasing Co., Ltd. and Tang Li Enterprise Co., Ltd., and pays the rental expenses monthly. The Company leases customer service system from Sin Etke Technology Co., Ltd., and pays the rental

expenses monthly. Hsieh Kuan Manpower Service Co., Ltd. provides the Company driving service for its executives and charges monthly.

|   | 2011                |            | 2010                |            |
|---|---------------------|------------|---------------------|------------|
|   | Amount              | % to Total | Amount              | % to Total |
| 7) Operating expenses - marketing and selling expense |                     |            |                     |            |
| Taiwan Acceptance Corporation                         | \$ 261,138          | 10         | \$ 216,037          | 9          |
| Yu Sing Motor Co., Ltd.                               | 220,941             | 8          | 209,255             | 9          |
| Yu Chang Motor Co., Ltd.                              | 211,103             | 8          | 214,759             | 9          |
| Yuan Lon Motor Co., Ltd.                              | 178,923             | 6          | 178,211             | 8          |
| Chen Long Co., Ltd.                                   | 137,115             | 5          | 113,640             | 5          |
| Empower Motor Co., Ltd.                               | 132,901             | 5          | 127,712             | 5          |
| Yushin Motor Co., Ltd.                                | 131,688             | 5          | 133,173             | 6          |
| Hui-Lian Motor Co., Ltd.                              | 126,312             | 5          | 129,425             | 6          |
| Chi Ho Corporation                                    | 117,984             | 4          | 109,401             | 5          |
| Yu Tang Motor Co., Ltd.                               | 112,675             | 4          | 102,449             | 4          |
| Others  | <u>160,979</u>      | <u>6</u>   | <u>152,695</u>      | <u>6</u>   |
|   | <u>\$ 1,791,759</u> | <u>66</u>  | <u>\$ 1,686,757</u> | <u>72</u>  |

|  |                   |           |                   |           |
|--|-------------------|-----------|-------------------|-----------|
| 8) Operating expenses - general and administrative expense |                   |           |                   |           |
| Yulon Management Co., Ltd.                                 | \$ 174,677        | 40        | \$ 172,950        | 44        |
| Chen Long Co., Ltd.  | 2,813             | 1         | 1,915             | -         |
| Chan Yun Technology Co., Ltd.                              | 1,848             | -         | 2,068             | -         |
| Hsieh Kuan Manpower Service Co., Ltd.                      | 1,132             | -         | 3,364             | 1         |
| Tokio Marine Nawa Insurance Co., Ltd.                      | 1,023             | -         | 2,422             | 1         |
| Others   | <u>4,874</u>      | <u>1</u>  | <u>12,715</u>     | <u>3</u>  |
|  | <u>\$ 186,367</u> | <u>42</u> | <u>\$ 195,434</u> | <u>49</u> |

The Company paid fees for consulting, labor dispatch and IT services to Yulon Management Co., Ltd.

|  | 2011      |            | 2010     |            |
|--|-----------|------------|----------|------------|
|  | Amount    | % to Total | Amount   | % to Total |
| 9) Operating expenses - research and development expense |           |            |          |            |
| Yulon  | \$ 40,521 | 7          | \$ 6,632 | 1          |
| Hsiang Shou Enterprise Co., Ltd.                         | 23,044    | 4          | 23,888   | 5          |
| Hua-Chuang Automobile Information                        | 3,029     | 1          | 45,000   | 9          |

|                            |                  |           |                  |           |
|----------------------------|------------------|-----------|------------------|-----------|
| Technical Center Co., Ltd. |                  |           |                  |           |
| Others                     | <u>3,103</u>     | <u>1</u>  | <u>1,672</u>     | <u>-</u>  |
|                            | <u>\$ 69,697</u> | <u>13</u> | <u>\$ 77,192</u> | <u>15</u> |

The Company paid for sample products and trial fee to Yulon. The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expenses for TOBE System. The Company also paid Hua-Chuang Automobile Information Technical Center Co., Ltd. for design expenses of new automobile model.

|   | <u>2011</u>       |                   | <u>2010</u>   |                   |
|---|-------------------|-------------------|---------------|-------------------|
|   | <u>Amount</u>     | <u>% to Total</u> | <u>Amount</u> | <u>% to Total</u> |
| 10) Nonoperating income - gain on sale of molds |                   |                   |               |                   |
| Ashok Leyland Nissan Vehicles Ltd.              | <u>\$ 150,483</u> | <u>100</u>        | <u>\$ -</u>   | <u>-</u>          |

The revenue from Ashok Leyland Nissan Vehicles Ltd. was earned from sale of molds of products which had gone out of production. The molds had been fully provided with allowance for impairment in 2009.

|   | <u>2011</u>      |                   | <u>2010</u>      |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | <u>Amount</u>    | <u>% to Total</u> | <u>Amount</u>    | <u>% to Total</u> |
| 11) Nonoperating income - others                                |                  |                   |                  |                   |
| Yu Chang Motor Co., Ltd.  | \$ 3,716         | 7                 | \$ 789           | 2                 |
| Yu Sing Motor Co., Ltd.   | 2,825            | 5                 | 698              | 2                 |
| Yuan Lon Motor Co., Ltd.  | 2,681            | 5                 | 1,250            | 3                 |
| Hua-Chuang Automobile Information<br>Technical Center Co., Ltd. | 2,537            | 5                 | 1,563            | 4                 |
| Others  | <u>15,000</u>    | <u>28</u>         | <u>9,944</u>     | <u>25</u>         |
|   | <u>\$ 26,759</u> | <u>50</u>         | <u>\$ 14,244</u> | <u>36</u>         |

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| 12) Nonoperating expenses and losses - overseas business expense |                  |           |                  |           |
| Yulon Management Co., Ltd.                                       | \$ 22,238        | 45        | \$ 12,750        | 21        |
| Sinjang Co., Ltd.  | 7,980            | 16        | 8,210            | 13        |
| Visionary International Consulting<br>Co., Ltd.                  | 2,644            | 5         | 2,652            | 4         |
| Others   | <u>3,212</u>     | <u>7</u>  | <u>4,402</u>     | <u>7</u>  |
|  | <u>\$ 36,074</u> | <u>73</u> | <u>\$ 28,014</u> | <u>45</u> |

13) Nonoperating expenses and losses - others

|                          |    |            |           |    |            |          |
|--------------------------|----|------------|-----------|----|------------|----------|
| Yu Chang Motor Co., Ltd. | \$ | 934        | 14        | \$ | -          | -        |
| Others                   |    | <u>-</u>   | <u>-</u>  |    | <u>838</u> | <u>4</u> |
|                          | \$ | <u>934</u> | <u>14</u> | \$ | <u>838</u> | <u>4</u> |

## December 31

|   | 2011              |            | 2010              |            |
|---|-------------------|------------|-------------------|------------|
|   | Amount            | % to Total | Amount            | % to Total |
| 14) Notes and accounts receivable - related parties |                   |            |                   |            |
| Taiwan Acceptance Corporation                       | \$ 168,888        | 31         | \$ 125,763        | 39         |
| Empower Motor Co., Ltd.                             | 69,585            | 13         | 5,724             | 2          |
| Ashok Leyland Nissan Vehicles Ltd.                  | 50,925            | 9          | -                 | -          |
| Chi Ho Corporation                                  | 47,651            | 9          | 4,913             | 1          |
| NMPI  | 43,335            | 8          | 57,223            | 18         |
| Nissan Motor Egypt S.A.E.                           | 34,795            | 7          | 37,109            | 11         |
| Jet Ford, Inc.                                      | 26,984            | 5          | 3,299             | 1          |
| Sin Etke Technology Co., Ltd.                       | 26,952            | 5          | 15,259            | 5          |
| Others  | <u>68,992</u>     | <u>13</u>  | <u>74,315</u>     | <u>23</u>  |
|   | <u>\$ 538,107</u> | <u>100</u> | <u>\$ 323,605</u> | <u>100</u> |

Jet Ford Inc. sells parts, steel and aluminum parts for the Company. As of December 31, 2011 and 2010, the accounts receivable from Jet Ford Inc. resulted from such sales.

## December 31

|                         | 2011             |            | 2010          |            |
|-------------------------|------------------|------------|---------------|------------|
|                         | Amount           | % to Total | Amount        | % to Total |
| 15) Refundable deposits |                  |            |               |            |
| Yulon                   | \$ <u>17,600</u> | <u>90</u>  | \$ <u>100</u> | <u>4</u>   |

The Company paid refundable deposits to Yulon mainly for production of new car models.

## December 31

|  | 2011         |            | 2010       |            |
|--|--------------|------------|------------|------------|
|  | Amount       | % to Total | Amount     | % to Total |
| 16) Notes and accounts payable - related parties |              |            |            |            |
| Yulon  | \$ 1,106,477 | 70         | \$ 608,828 | 57         |
| Nissan   | 99,227       | 6          | 108,686    | 10         |

|                               |                     |            |                     |            |
|-------------------------------|---------------------|------------|---------------------|------------|
| Taiwan Acceptance Corporation | 60,565              | 4          | 61,043              | 5          |
| China Ogihara Corporation     | 45,090              | 3          | 11,568              | 1          |
| Others                        | <u>259,254</u>      | <u>17</u>  | <u>285,572</u>      | <u>27</u>  |
|                               | <u>\$ 1,570,613</u> | <u>100</u> | <u>\$ 1,075,697</u> | <u>100</u> |

17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$2,026,390 thousand and \$1,960,585 thousand in 2011 and 2010, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$1,188 thousand and \$1,130 thousand in 2011 and 2010, respectively.

18) The Company signed a molds contract with Diamond Leasing Service Co., Ltd. The contract is valid from December 2011 to the end of production of the car model. The contract amounted to \$432,642 thousand payable in four installments with the last installment payable six months after the car model started mass production. As of the end of 2011, the Company had already paid \$86,528 thousand (recognized as deferred charges). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year the amount of \$2.6 per ten thousand dollars based on the accumulated amount of molds paid in prior year.

19) The Company bought molds from related parties (molds purchased were recorded under deferred charges) as follows:

|                                | <u>2011</u>       | <u>2010</u>       |
|--------------------------------|-------------------|-------------------|
| China Ogihara Corporation.     | \$ 45,090         | \$ 11,568         |
| Yueki Industrial Co., Ltd.     | 20,903            | 77,715            |
| Yulon                          | 18,008            | 22,470            |
| Chien Tai Industry Co., Ltd.   | 12,386            | 6,265             |
| Y-teks, Co.                    | 10,716            | 20,002            |
| Yue Sheng Industrial Co., Ltd. | 10,019            | 1,938             |
| Uni Calsonic Corporation       | 9,799             | 2,284             |
| Kian Shen Corporation          | 9,776             | 1,558             |
| Others                         | <u>5,140</u>      | <u>58,114</u>     |
|                                | <u>\$ 141,837</u> | <u>\$ 201,914</u> |

20) Compensation of directors, supervisors and management personnel:

|            | <u>2011</u>      | <u>2010</u>      |
|------------|------------------|------------------|
| Salaries   | \$ 31,914        | \$ 30,745        |
| Incentives | 6,904            | 6,716            |
| Bonus      | <u>193</u>       | <u>1,426</u>     |
|            | <u>\$ 39,011</u> | <u>\$ 38,887</u> |

## 20. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2011 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of December 31, 2011, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sales and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2011, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the next five years and after are as follows:

| Year           | Rental<br>(Thousands) |
|----------------|-----------------------|
| 2012           | \$ 2,508              |
| 2013           | 2,508                 |
| 2014           | 2,508                 |
| 2015           | 2,508                 |
| 2016 and after | 3,971                 |

- d. The Company had commitments to buy computer equipment, other equipment, computer software and molds for \$3,940 thousand, \$185 thousand, \$580 thousand and \$404,520 thousand, respectively.

## 21. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments:

|   | December 31        |            |                    |             |
|---|--------------------|------------|--------------------|-------------|
|   | 2011               |            | 2010               |             |
|   | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value  |
| <u>Nonderivative financial instruments</u>            |                    |            |                    |             |
| Assets  |                    |            |                    |             |
| Cash and cash equivalents                             | \$ 743,912         | \$ 743,912 | \$ 677,127         | \$ 677,127  |
| Financial assets at fair value through profit or loss | 2,262,001          | 2,262,001  | 2,110,748          | 2,110,748   |
| Notes and accounts receivable                         | 22,417             | 22,417     | 26,459             | 26,459      |
| Notes and accounts receivable - related parties       | 538,107            | 538,107    | 323,605            | 323,605     |
| Other financial assets                                | 452,645            | 452,645    | 613,956            | 613,956     |
| Long-term equity investments                          | 19,069,822         | 19,069,822 | 15,402,999         | 15,402,999  |
| Refundable deposits                                   | 19,650             | 19,650     | 2,680              | 2,680       |
| Liabilities   |                    |            |                    |             |
| Notes and accounts payable                            | 144,530            | 144,530    | 81,519             | 81,519      |
| Notes and accounts payable - related parties          | 1,570,613          | 1,570,613  | 1,075,697          | 1,075,697   |
| Income tax payable                                    | 213,238            | 213,238    | 50,985             | 50,985      |
| Accrued expenses                                      | 559,928            | 559,928    | 486,463            | 486,463     |
| Accrued pension liabilities                           | 469,180            | 469,180    | 449,586            | 449,586     |
|   |                    |            |                    | (Concluded) |

### b. The Company uses the following methods and assumptions to estimate the fair values of its financial instruments:

- 1) For financial instruments, except those mentioned in (2), (3) and (4) below, the carrying values reported in the balance sheet approximate their fair values.
- 2) The financial assets at fair value through profit or loss are estimated at market quotations.
- 3) Fair value of long-term equity investments is based on net asset value of the investments.
- 4) For refundable deposits, the variance between the amounts to be actually paid and the carrying values is very minimal; thus, the carrying values are used as the basis for fair value estimation.

- c. Fair value of financial instruments was as follows:

|   | <b>Amount Based on Quoted<br/>Market Price</b> |             | <b>Amount Determined Using<br/>Valuation Techniques</b> |             |
|---|--|-------------|---|-------------|
|   | <b>December 31</b>                             |             | <b>December 31</b>                                      |             |
|   | <b>2011</b>                                    | <b>2010</b> | <b>2011</b>   | <b>2010</b> |
| Financial assets at fair value<br>through profit or loss: |  |             |   |             |
| Financial assets held for<br>trading                      |  |             |   |             |
| Mutual funds  | \$ 2,201,855                                   | \$2,029,725 | \$ 60,146   | \$ 81,023   |

- d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$406 thousand and \$754 thousand for the years ended December 31, 2011 and 2010, respectively.

- e. Information about financial risks

1) Market risk

The financial instruments categorized as financial assets at fair value through profit or loss are mainly mutual funds. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, the Company would assess the risk before investing. Therefore, no material market risks are anticipated.

2) Credit risk

The Company is exposed to credit risk in the event of non-performance of the counterparties to forward contracts on maturity. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counterparty defaults are anticipated.

3) Liquidity risk

The financial instruments categorized as financial assets measured at fair value through profit or loss are publicly-traded and can be easily converted to cash. Therefore, no material liquidity risks are anticipated.



## 22. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant financial assets and liabilities in foreign currency are summarized as follows

(In Thousands of New Taiwan Dollars and Foreign Currency)

|                              | December 31        |               |                    |                    |               |                    |
|------------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
|                              | 2011               |               |                    | 2010               |               |                    |
|                              | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u>      |                    |               |                    |                    |               |                    |
| Monetary item                |                    |               |                    |                    |               |                    |
| U.S. dollars                 | \$ 2,268           | 30.275        | \$ 68,654          | \$ 6,970           | 29.13         | \$ 203,039         |
| Japan yen                    | 238,705            | 0.3906        | 93,238             | 425,236            | 0.3582        | 152,320            |
| Long-term equity investments |                    |               |                    |                    |               |                    |
| U.S. dollars                 | 629,887            | 30.275        | 19,069,822         | 528,768            | 29.13         | 15,402,999         |
| <u>Financial liabilities</u> |                    |               |                    |                    |               |                    |
| Monetary item                |                    |               |                    |                    |               |                    |
| U.S. dollars                 | 26,697             | 30.275        | 808,247            | 5                  | 29.13         | 147                |
| Japan yen                    | 29,158             | 0.3906        | 11,389             | 2,646              | 0.3582        | 948                |
| Philippine pesos             | 442                | 0.7078        | 313                | 442                | 0.6831        | 302                |

## 23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)
- j. Derivative financial transactions: None
- k. Investment in Mainland China
  - 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 6 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
    - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
    - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
    - e) Maximum balance for the period, ending balance, interest rate and amount of

financing provision: None

- f) Other transactions which have significant influence over current year's gain or loss or financial status: None

## **24. OPERATING SEGMENTS INFORMATION**

The Company's reportable segments under SFAS No. 41 are disclosed in the consolidated financial statements.

## **25. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company's pre-disclosure of information on the adoption of International Financial Reporting Standards (IFRSs), and assessment of material differences between the existing accounting policies and the prospective accounting policies under IFRSs are presented in the consolidated financial statements.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 1

| Investor                        | Securities Type and Name                                     | Relationship with the Investor | Financial Statement Account                           | December 31, 2011  |                       |                         | Note       |
|---------------------------------|--|--------------------------------|---|--------------------|-----------------------|-------------------------|------------|
|                                 |  |                                |   | Shares (Thousands) | Carrying Value (Note) | Percentage of Ownership |            |
| Yulon Nissan Motor Company, Ltd | <u>Beneficiary certificates</u>                              | -                              | Financial assets at fair value through profit or loss | 18,546             | \$ 240,000            | -                       | \$ 241,673 |
|                                 | Taishin 1699 Money Market Fund                               | -                              | Financial assets at fair value through profit or loss | 13,952             | 190,000               | -                       | 191,008    |
|                                 | Taishin Ta Chong Money Market Fund                           | -                              | Financial assets at fair value through profit or loss | 500                | 5,000                 | -                       | 4,840      |
|                                 | SinoPac Asia Small and Medium Cap Fund                       | -                              | Financial assets at fair value through profit or loss | 2,690              | 40,000                | -                       | 40,246     |
|                                 | Prudential Financial Return Fund                             | -                              | Financial assets at fair value through profit or loss | 8,212              | 100,000               | -                       | 100,000    |
|                                 | Mirae Asset Solomon Money Market Fund                        | -                              | Financial assets at fair value through profit or loss | 3,597              | 40,000                | -                       | 40,075     |
|                                 | Paradigm Pion Money Market Fund                              | -                              | Financial assets at fair value through profit or loss | 4,493              | 50,000                | -                       | 50,271     |
|                                 | KGI Victory Money Market Fund                                | -                              | Financial assets at fair value through profit or loss | 5,819              | 58,718                | -                       | 60,146     |
|                                 | KGI Tumbler Fund   | -                              | Financial assets at fair value through profit or loss | 500                | 5,000                 | -                       | 4,995      |
|                                 | Fuh Hwa Rising Asean Fund                                    | -                              | Financial assets at fair value through profit or loss | 15,941             | 229,969               | -                       | 232,377    |
|                                 | TIIM Money Market Fund                                       | -                              | Financial assets at fair value through profit or loss | 3,215              | 50,000                | -                       | 50,000     |
|                                 | Capital Money Market Fund                                    | -                              | Financial assets at fair value through profit or loss | 16,142             | 229,625               | -                       | 230,177    |
|                                 | Jih Sun Money Market Fund                                    | -                              | Financial assets at fair value through profit or loss | 6,951              | 80,000                | -                       | 80,551     |
|                                 | Polaris De-Bao Money Market Securities Investment Trust Fund | -                              | Financial assets at fair value through profit or loss | 7,930              | 80,000                | -                       | 81,907     |
|                                 | Reliance Wealth Bond Fund                                    | -                              | Financial assets at fair value through profit or loss | 2,752              | 30,000                | -                       | 30,813     |
|                                 | Allianz Global Investors Global Bond Fund                    | -                              | Financial assets at fair value through profit or loss | 1,285              | 220,000               | -                       | 221,018    |
|                                 | FSITC Money Market Fund                                      | -                              | Financial assets at fair value through profit or loss |                    |                       |                         |            |

| Investor                             | Securities Type and Name                           | Relationship with the Investor           | Financial Statement Account                           | December 31, 2011  |                       |                         |                                 | Note |
|--------------------------------------|--|--|---|--------------------|-----------------------|-------------------------|---------------------------------|------|
|                                      |  |  |   | Shares (Thousands) | Carrying Value (Note) | Percentage of Ownership | Market Value or Net Asset Value |      |
| Yulon Nissan Motor Company, Ltd      | ING Taiwan Hong-Yang Money Market Fund             | -  | Financial assets at fair value through profit or loss | 2,422              | \$ 40,000             | -                       | \$ 40,030                       |      |
|                                      | ING Taiwan Money Market Fund                       | -  | Financial assets at fair value through profit or loss | 3,185              | 50,000                | -                       | 50,117                          |      |
|                                      | Mega Diamond Money Market Fund                     | -  | Financial assets at fair value through profit or loss | 5,867              | 70,000                | -                       | 70,785                          |      |
|                                      | Yuanta Wan Tai Money Market Fund                   | -  | Financial assets at fair value through profit or loss | 19,224             | 279,978               | -                       | 280,793                         |      |
|                                      | PCA Well Pool Money Market Fund                    | -  | Financial assets at fair value through profit or loss | 12,220             | 160,000               | -                       | 160,179                         |      |
| Yi-Jan Overseas Investment Co., Ltd. | Subsidiary   |  | Long-term equity investments                          | 84,987             | 19,069,822            | 100.00                  | 19,069,822                      |      |
| Yi-Jan Overseas Investment Co., Ltd. | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. |  | Long-term equity investments                          | 71,772             | US\$ 629,637          | 100.00                  | US\$ 629,637                    |      |
| Yi Hsing Corporation                 | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. |  | Long-term equity investments                          | 1,100              | US\$ 202              | 100.00                  | US\$ 202                        |      |
| Jet Ford, Inc.                       | Share certificates                                 |  | Long-term equity investments                          | -                  | US\$ 75,948           | 16.55                   | US\$ 73,519                     |      |
|                                      | Aeolus Xiangfan Automobile Co., Ltd.               | Equity-method investee of Jet Ford, Inc. | Long-term equity investments                          | -                  | US\$ 196,823          | 40.00                   | US\$ 196,525                    |      |
|                                      | Guangzhou Aeolus Automobile Co., Ltd.              | Equity-method investee of Jet Ford, Inc. | Long-term equity investments                          | -                  | US\$ 23,103           | 25.00                   | US\$ 23,103                     |      |
|                                      | Aeolus Automobile Co., Ltd.                        | Equity-method investee of Jet Ford, Inc. | Long-term equity investments                          | -                  | US\$ 10,536           | 45.00                   | US\$ 10,536                     |      |
|                                      | Shenzhen Lan You Technology Co., Ltd.              | Equity-method investee of Jet Ford, Inc. | Long-term equity investments                          | -                  | US\$ 1,130            | 49.00                   | US\$ 1,130                      |      |
| Dong Feng Yulon Used Cars Co., Ltd.  | Equity-method investee of Jet Ford, Inc.           |  | Long-term equity investments                          | -                  |                       |                         |                                 |      |

Note: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 2

| Company Name                    | Marketable Securities Type and Name                         | Financial Statement Account                           | Counter-party | Nature of Relationship | Beginning Balance  |        | Acquisition        |           | Disposal           |        | Ending Balance |                  |                    |
|---------------------------------|---|---|---------------|------------------------|--------------------|--------|--------------------|-----------|--------------------|--------|----------------|------------------|--------------------|
|                                 |   |   |               |                        | Shares (Thousands) | Amount | Shares (Thousands) | Amount    | Shares (Thousands) | Amount | Carrying Value | Gain on Disposal | Shares (Thousands) |
| Yulon Nissan Motor Company Ltd. | Beneficiary certificates                                    |   | -             | -                      | -                  | -      | -                  | -         | -                  | -      | -              | -                |                    |
|                                 | Yuanta Wan Tai Money Market Fund                            | Financial assets at fair value through profit or loss | -             | -                      | \$ -               | -      | 37,125             | \$540,000 | \$260,084          | \$ 62  | 17,901         | 19,224           | \$279,978          |
|                                 | PineBridge Global Multi - Strategy High Yield Bond Fund     | Financial assets at fair value through profit or loss | -             | -                      | 47,942             | 4,788  | 5,647              | 60,000    | 111,337            | 3,395  | 10,435         | -                | -                  |
|                                 | Jih Sun Money Market Fund (Jin Sun Bond Fund)               | Financial assets at fair value through profit or loss | -             | -                      | 190,000            | 13,467 | 19,670             | 280,000   | 242,190            | 1,815  | 16,995         | 16,142           | 229,625            |
|                                 | Taishin Lucky Money Market Fund                             | Financial assets at fair value through profit or loss | -             | -                      | 290,000            | 27,204 | 9,369              | 100,000   | 391,535            | 1,535  | 36,573         | -                | -                  |
|                                 | Taishin 1699 Money Market Fund (IBT 1699 Bond Fund)         | Financial assets at fair value through profit or loss | -             | -                      | 100,000            | 7,758  | 10,788             | 140,000   | -                  | -      | -              | 18,546           | 240,000            |
|                                 | Taishin Ta Chong Money Market Fund (IBT Ta-Chong Bond Fund) | Financial assets at fair value through profit or loss | -             | -                      | 40,000             | 2,948  | 11,004             | 150,000   | -                  | -      | -              | 13,952           | 190,000            |
|                                 | Mirae Asset Solomon Money Market Fund                       | Financial assets at fair value through profit or loss | -             | -                      | -                  | -      | 8,212              | 100,000   | -                  | -      | -              | 8,212            | 100,000            |
|                                 | ING Taiwan Money Market Fund                                | Financial assets at fair value through profit or loss | -             | -                      | -                  | -      | 12,748             | 200,000   | 150,099            | 99     | 9,563          | 3,185            | 50,000             |
|                                 | PCA Well Pool Money Market Fund                             | Financial assets at fair value through profit or loss | -             | -                      | -                  | -      | 12,220             | 160,000   | -                  | -      | -              | 12,220           | 160,000            |
|                                 | FSITC Money Market Fund (FSITC Bond Fund)                   | Financial assets at fair value through profit or loss | -             | -                      | 40,000             | 234    | 1,051              | 180,000   | -                  | -      | -              | 1,285            | 220,000            |
|                                 | FSITC Global High Yield Bond Fund                           | Financial assets at fair value through profit or loss | -             | -                      | 50,038             | 4,432  | 7,436              | 90,000    | 144,378            | 4,340  | 11,868         | -                | -                  |
|                                 | Fuh Hwa Money Market Fund (Fuh-Hwa Global Bond Fund)        | Financial assets at fair value through profit or loss | -             | -                      | 340,000            | 24,593 | -                  | -         | 342,200            | 2,200  | 24,593         | -                | -                  |

| Company Name | Marketable Securities Type and Name             | Financial Statement Account                           | Counter-party | Nature of Relations hip | Beginning Balance  |         | Acquisition        |           | Disposal           |           |                | Ending Balance   |                    |               |
|--------------|---|---|---------------|-------------------------|--------------------|---------|--------------------|-----------|--------------------|-----------|----------------|------------------|--------------------|---------------|
|              |   |   |               |                         | Shares (Thousands) | Amount  | Shares (Thousands) | Amount    | Shares (Thousands) | Amount    | Carrying Value | Gain on Disposal | Shares (Thousands) | Amount (Note) |
|              | Hua Nan Phoenix Money Market Fund               | Financial assets at fair value through profit or loss | -             | -                       | -                  | \$ -    | 39,005             | \$610,000 | 39,005             | \$611,140 | \$ 610,000     | 1,140            | -                  | \$ -          |
|              | Capital Money Market Fund (Capital Income Fund) | Financial assets at fair value through profit or loss | -             | -                       | 5,827              | 89,954  | 5,791              | 90,000    | 8,403              | 130,268   | 129,954        | 314              | 3,215              | 50,000        |
|              | Union Money Market Fund (Union Bond Fund)       | Financial assets at fair value through profit or loss | -             | -                       | 10,306             | 130,000 | 15,796             | 200,000   | 26,102             | 332,314   | 330,000        | 2,314            | -                  | -             |
|              | Hua Nan Kirin Money Market Fund                 | Financial assets at fair value through profit or loss | -             | -                       | 6,956              | 80,017  | 5,210              | 60,000    | 12,166             | 140,499   | 140,017        | 482              | -                  | -             |

Note: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

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

YEAR ENDED DECEMBER 31, 2011

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

TABLE 3

| Company Name                    | Related Party                 | Nature of Relationship                          | Transaction Details |               |            | Abnormal Transaction (Note 1)   |            | Note/Accounts Payable or Receivable (Note 2) | Note    |               |                |
|---------------------------------|-------------------------------|---|---------------------|---------------|------------|---------------------------------|------------|--|---------|---------------|----------------|
|                                 |                               |   | Purchase/Sale       | Amount        | % to Total | Payment Terms                   | Unit Price |  |         | Payment Terms | Ending Balance |
| Yulon Nissan Motor Company Ltd. | Yulon Motor Co., Ltd.         | Equity-method investor of the Company           | Purchase            | \$ 26,193,323 | 99         | 180 days after sales for parts  | \$ -       | -  | -       | 80            | -              |
|                                 | Taiwan Acceptance Corporation | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 28,208,372    | 88         | 3 days after sales for vehicles | -          | -  | 155,741 | 32            | -              |
|                                 | Yuan Lon Motor Co., Ltd.      | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 343,044       | 1          | 4 days after sales for parts    | -          | -  | 9,326   | 2             | -              |
| Chi Ho Corporation              | Chi Ho Corporation            | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 327,618       | 1          | 15 days after sales for parts   | -          | -  | 46,863  | 10            | -              |
|                                 |                               |   |                     |               |            |                                 |            |  |         |               |                |
| Yu Chang Motor Co., Ltd.        | Yu Chang Motor Co., Ltd.      | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 323,246       | 1          | 15 days after sales for parts   | -          | -  | 7,182   | 1             | -              |
| Yu Sing Motor Co., Ltd.         | Yu Sing Motor Co., Ltd.       | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 283,632       | 1          | 15 days after sales for parts   | -          | -  | -       | -             | -              |
| Empower Motor Co., Ltd.         | Empower Motor Co., Ltd.       | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 278,924       | 1          | Immediate payment for vehicles  | -          | -  | 68,300  | 14            | -              |
|                                 |                               |   |                     |               |            |                                 |            |  |         |               |                |
| Yushin Motor Co., Ltd.          | Yushin Motor Co., Ltd.        | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 217,673       | 1          | Same as above                   | -          | -  | 3,659   | 1             | -              |
|                                 |                               |   |                     |               |            |                                 |            |  |         |               |                |
| Chen Long Motor Co., Ltd.       | Chen Long Motor Co., Ltd.     | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 217,136       | 1          | 15 days after sales for parts   | -          | -  | 2,859   | 1             | -              |
| Hui-Lian Motor Co., Ltd.        | Hui-Lian Motor Co., Ltd.      | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 214,065       | 1          | 15 days after sales for parts   | -          | -  | -       | -             | -              |
| Yu Tang Motor Co., Ltd.         | Yu Tang Motor Co., Ltd.       | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 211,013       | -          | Same as above                   | -          | -  | 383     | -             | -              |
| Nissan Motor Egypt S.A.E.       | Nissan Motor Egypt S.A.E.     | Subsidiary of Nissan                            | Sale                | 154,768       | -          | 30 days after sales for parts   | -          | -  | 34,795  | 7             | -              |

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are notes and accounts receivable from sales and accounts payable for purchases.



## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 4

| Company Name                     | Related Party                 | Nature of Relationship | Ending Balance | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|----------------------------------|-------------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                                  |                               |                        |                |               | Amount  | Action Taken |                                       |                         |
| Yulon Nissan Motor Company, Ltd. | Taiwan Acceptance Corporation | Subsidiary of Yulon    | \$ 168,888     | 191.47        | \$ -    | -            | \$ 168,888                            | \$ -                    |

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 5

| Investor Company                     | Investee Company                       | Location                              | Main Businesses and Products   | Investment Amount             |                               | Balance as of December 31, 2011<br>Shares<br>(Thousands) | Percentage of<br>Ownership | Carrying<br>Value | Net Income<br>(Loss) of<br>the Investee | Investment<br>Gain (Loss)<br>(Note 1) | Note   |
|--------------------------------------|--|---------------------------------------|--|-------------------------------|-------------------------------|--|----------------------------|-------------------|---|---------------------------------------|--------|
|                                      |  |                                       |  | December<br>31, 2011          | December<br>31, 2010          |  |                            |                   |   |                                       |        |
| Yulon Nissan Motor Company, Ltd.     | Yi-Jan Overseas Investment Co., Ltd.   | Cayman Islands                        | Investment   | \$ 1,847,983<br>(US\$ 57,371) | \$ 1,847,983<br>(US\$ 57,371) | 84,987   | 100.00                     | \$19,069,822      | \$ 3,420,248                            | \$ 3,420,248                          |        |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc.<br>Yi Hsing Corporation | British Virgin Islands<br>Philippines | Investment<br>Inquire parts sales prices and commission-based business                                     | US\$ 57,171                   | US\$ 57,171                   | 71,772   | 100.00                     | US\$629,637       | US\$116,378                             | US\$116,378                           |        |
| Jet Ford, Inc.                       | Aeolus Xiangfan Automobile Co., Ltd.   | Hubei (Mainland China)                | Developing and manufacturing of parts and vehicles and related services                                    | US\$ 21,700                   | US\$ 21,700                   | -  | 16.55                      | US\$ 75,948       | US\$ 47,129                             | US\$ 7,375                            |        |
|                                      | Guangzhou Aeolus Automobile Co., Ltd.  | Guangdong (Mainland China)            | Developing and manufacturing of parts and vehicles and related services                                    | US\$ 16,941                   | US\$ 16,941                   | -  | 40.00                      | US\$196,823       | US\$133,768                             | US\$ 52,047                           |        |
|                                      | Aeolus Automobile Co., Ltd.            | Guangdong (Mainland China)            | Developing and selling of parts and vehicles and related services  | US\$ 10,890                   | US\$ 10,890                   | -  | 25.00                      | US\$ 23,103       | US\$ 50,944                             | US\$ 12,736                           |        |
|                                      | Dong Feng Yulon Motors Sales Co., Ltd. | Hubei (Mainland China)                | Selling of parts, repair and maintenance of vehicles, and related services                                 | -                             | US\$ 5,922                    | -  | -                          | -                 | US\$ (713)                              | US\$ (349)                            | Note 2 |
|                                      | Shenzhen Lan You Technology Co., Ltd.  | Guangdong (Mainland China)            | Developing, manufacturing and selling of computer software and hardware and computer technology consulting | US\$ 1,125                    | US\$ 1,125                    | -  | 45.00                      | US\$ 10,536       | US\$ 3,266                              | US\$ 1,470                            |        |
|                                      | Dong Feng Yulon Used Cars Co., Ltd.    | Guangdong (Mainland China)            | Valuation, purchase, renovation, rent and selling of used cars   | US\$ 593                      | US\$ 593                      | -  | 49.00                      | US\$ 1,130        | US\$ 272                                | US\$ 133                              |        |

Note 1: Investment gains (losses) include the amortization of investment premium or discount.

Note 2: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd this year.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

**TABLE 6**

| Investee  | Main Businesses and Products   | Total Amount of Paid-in Capital | Investment Type (e.g., Direct or Indirect) | Accumulated Outflow of Investment from Taiwan as of January 1, 2011 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2011 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of December 31, 2011 | Accumulated Inward Remittance of Earnings as of December 31, 2011 |
|---|--|---------------------------------|--|---|------------------|--------|---|--|---------------------------------|--|---|
|   |  |                                 |  |   | Outflow          | Inflow |   |  |                                 |  |   |
| Aeolus Xiangfan Automobile Co., Ltd.            | Developing and manufacturing of parts and vehicles and related services                                    | \$ 3,581,037<br>(RMB 826,000)   | Note 1                                     | \$ 716,856<br>(US\$ 21,700)   | \$ -             | \$ -   | \$ 716,856<br>(US\$ 21,700)   | 16.55%                                       | \$ 216,772<br>(US\$ 7,375)      | \$ 2,299,325<br>(US\$ 75,948)          | \$ -  |
| Guangzhou Aeolus Automobile Co., Ltd.           | Developing and manufacturing of parts and vehicles and related services                                    | 8,969,950<br>(RMB 2,200,000)    | Note 1                                     | 537,199<br>(US\$ 16,941)  | -                | -      | 537,199<br>(US\$ 16,941)  | 40.00%                                       | 1,529,718<br>(US\$ 52,047)      | 5,958,828<br>(US\$ 196,823)            | 1,269,572<br>(US\$ 39,777)  |
| Aeolus Automobile Co., Ltd.                     | Developing and selling of parts and vehicles and related services  | 665,931<br>(RMB 173,550)        | Note 1                                     | 345,322<br>(US\$ 10,890)  | -                | -      | 345,322<br>(US\$ 10,890)  | 25.00%                                       | 374,324<br>(US\$ 12,736)        | 699,457<br>(US\$ 23,103)               | -   |
| Dong Feng Yulon Motors Sales Co., Ltd. (Note 4) | Selling of parts, repair and maintenance of vehicles, and related services                                 | 383,000<br>(RMB 100,000)        | Note 1                                     | 187,787<br>(US\$ 5,922)   | -                | -      | 187,787<br>(US\$ 5,922)   | -  | (10,265)<br>(US\$ -349)         | -                                      | -   |
| Shenzhen Lan You Technology Co., Ltd.           | Developing, manufacturing and selling of computer software and hardware and computer technology consulting | 57,450<br>(RMB 15,000)          | Note 1                                     | 35,674<br>(US\$ 1,125)  | -                | -      | 35,674<br>(US\$ 1,125)  | 45.00%                                       | 43,193<br>(US\$ 1,470)          | 318,985<br>(US\$ 10,536)               | -   |
| Dong Feng Yulon Used Cars Co., Ltd.             | Valuation, purchase, renovation, and selling of used cars.   | 38,300<br>(RMB 10,000)          | Note 1                                     | 18,804<br>(US\$ 593)  | -                | -      | 18,804<br>(US\$ 593)  | 49.00%                                       | 3,912<br>(US\$ 133)             | 34,202<br>(US\$ 1,130)                 | -   |

| Accumulated Investment in Mainland China as of December 31, 2011 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3) |
|--|--|--|
| \$1,841,642 (US\$57,171)   | \$1,917,100 (US\$59,660)                                     | \$11,738,090   |

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

Note 2: Investment gains (losses) recognized were calculated from the audited financial statements.

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

Note 4: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd this year.

## **5. Mother/subordinates combined financial report of the most recent year audited and verified by accountants**

### **Independent Auditors' Report**

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

We have audited the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

March 23, 2012

**Notice to Readers**

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

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2011 AND 2010

| ASSETS   | 2011                 |            | 2010                 |            |
|--|----------------------|------------|----------------------|------------|
|  | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>  |                      |            |                      |            |
| Cash and cash equivalents (Notes 2 and 4)                                | \$ 6,248,547         | 25         | \$ 1,203,577         | 6          |
| Financial assets at fair value through profit or loss<br>(Notes 2 and 5) | 2,262,001            | 9          | 2,110,748            | 10         |
| Notes and accounts receivable (Notes 2 and 6)                            | 22,417               | -          | 26,459               | -          |
| Notes and accounts receivable - related parties (Note<br>19)             | 525,743              | 2          | 322,653              | 2          |
| Dividends receivable   | 3,631,352            | 15         | -                    | -          |
| Other financial assets (Notes 7 and 9)                                   | 736,841              | 3          | 615,402              | 3          |
| Inventories (Notes 2 and 8)  | 1,793                | -          | 1,016                | -          |
| Prepayment   | 384,479              | 2          | 4,566                | -          |
| Deferred income tax assets, net (Notes 2 and 15)                         | 34,168               | -          | 107,016              | -          |
| Other current assets   | <u>670</u>           | -          | <u>246</u>           | -          |
| Total current assets   | <u>13,848,011</u>    | <u>56</u>  | <u>4,391,683</u>     | <u>21</u>  |
| LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)                             | <u>9,310,797</u>     | <u>38</u>  | <u>14,876,477</u>    | <u>72</u>  |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and<br/>10)</b>                |                      |            |                      |            |
| Cost   |                      |            |                      |            |
| Machinery and equipment  | 21,135               | -          | 21,135               | -          |
| Transportation equipment   | 4,290                | -          | 4,290                | -          |
| Tools  | 5,694                | -          | 5,694                | -          |
| Computer equipment   | 83,468               | -          | 79,608               | 1          |
| Other equipment  | 83,639               | 1          | 76,930               | -          |
| Leasehold improvement  | <u>5,763</u>         | -          | <u>4,559</u>         | -          |
| Total cost   | 203,989              | 1          | 192,216              | 1          |
| Less accumulated depreciation  | <u>167,014</u>       | <u>1</u>   | <u>154,175</u>       | <u>1</u>   |
|  | 36,975               | -          | 38,041               | -          |
| Prepayments for equipment  | <u>191</u>           | -          | <u>2,799</u>         | -          |
| Property, plant and equipment, net                                       | <u>37,166</u>        | -          | <u>40,840</u>        | -          |
| <b>OTHER ASSETS</b>  |                      |            |                      |            |
| Refundable deposits (Note 19)  | 19,707               | -          | 2,734                | -          |
| Deferred charges (Notes 2, 11 and 19)                                    | <u>1,439,973</u>     | <u>6</u>   | <u>1,440,667</u>     | <u>7</u>   |
| Total other assets   | <u>1,459,680</u>     | <u>6</u>   | <u>1,443,401</u>     | <u>7</u>   |
| <b>TOTAL</b>   | <u>\$ 24,655,654</u> | <u>100</u> | <u>\$ 20,752,401</u> | <u>100</u> |

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

| LIABILITIES AND STOCKHOLDERS' EQUITY   | 2011                 |            | 2010                 |            |
|--|----------------------|------------|----------------------|------------|
|  | Amount               | %          | Amount               | %          |
| <b>CURRENT LIABILITIES</b>   |                      |            |                      |            |
| Notes and accounts payable   | \$ 144,530           | 1          | \$ 81,519            | 1          |
| Notes and accounts payable - related parties (Note 19)   | 1,570,472            | 6          | 1,075,560            | 5          |
| Income tax payable (Notes 2 and 15)  | 213,240              | 1          | 50,987               | -          |
| Accrued expenses (Note 12)   | 560,057              | 2          | 486,587              | 2          |
| Warranty (Note 2)  | 53,755               | -          | 52,476               | -          |
| Other current liabilities  | <u>156,516</u>       | <u>1</u>   | <u>96,356</u>        | <u>1</u>   |
| Total current liabilities  | <u>2,698,570</u>     | <u>11</u>  | <u>1,843,485</u>     | <u>9</u>   |
| <b>OTHER LIABILITIES</b>   |                      |            |                      |            |
| Accrued pension liabilities (Notes 2 and 16)   | 469,180              | 2          | 449,586              | 2          |
| Deferred tax liabilities, net (Notes 2 and 15)   | 1,836,821            | 8          | 1,239,308            | 6          |
| Warranty (Note 2)  | <u>87,599</u>        | <u>-</u>   | <u>54,678</u>        | <u>-</u>   |
| Total other liabilities  | <u>2,393,600</u>     | <u>10</u>  | <u>1,743,572</u>     | <u>8</u>   |
| Total liabilities  | <u>5,092,170</u>     | <u>21</u>  | <u>3,587,057</u>     | <u>17</u>  |
| <b>STOCKHOLDERS' EQUITY</b>  |                      |            |                      |            |
| Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued - 300,000 thousand shares | <u>3,000,000</u>     | <u>12</u>  | <u>3,000,000</u>     | <u>15</u>  |
| Capital surplus  |                      |            |                      |            |
| Excess from spin-off   | 5,986,507            | 24         | 5,986,507            | 29         |
| Gains on long-term investments   | <u>2,461</u>         | <u>-</u>   | <u>2,461</u>         | <u>-</u>   |
| Total capital surplus  | <u>5,988,968</u>     | <u>24</u>  | <u>5,988,968</u>     | <u>29</u>  |
| Retained earnings  |                      |            |                      |            |
| Legal reserve  | 1,381,683            | 6          | 1,093,293            | 5          |
| Special reserve  | 379,840              | 1          | 379,840              | 2          |
| Unappropriated earnings  | <u>8,348,839</u>     | <u>34</u>  | <u>6,485,664</u>     | <u>31</u>  |
| Total retained earnings  | <u>10,110,362</u>    | <u>41</u>  | <u>7,958,797</u>     | <u>38</u>  |
| Cumulative translation adjustments   | <u>464,154</u>       | <u>2</u>   | <u>217,579</u>       | <u>1</u>   |
| Total stockholders' equity   | <u>19,563,484</u>    | <u>79</u>  | <u>17,165,344</u>    | <u>83</u>  |
| <b>TOTAL</b>   | <u>\$ 24,655,654</u> | <u>100</u> | <u>\$ 20,752,401</u> | <u>100</u> |

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2011                |           | 2010                |           |
|---|---------------------|-----------|---------------------|-----------|
|   | Amount              | %         | Amount              | %         |
| SALES (Note 19)                                     | \$ 32,124,700       | 100       | \$ 27,464,636       | 100       |
| LESS: SALES RETURNS                                 | 6,449               | -         | 4,978               | -         |
| SALES ALLOWANCE                                     | <u>2,900</u>        | <u>-</u>  | <u>3,962</u>        | <u>-</u>  |
| NET SALES   | 32,115,351          | 100       | 27,455,696          | 100       |
| COST OF SALES (Note 19)                             | <u>27,380,203</u>   | <u>85</u> | <u>23,671,057</u>   | <u>86</u> |
| GROSS PROFIT  | <u>4,735,148</u>    | <u>15</u> | <u>3,784,639</u>    | <u>14</u> |
| OPERATING EXPENSES (Note 19)                        |                     |           |                     |           |
| Marketing and selling                               | 2,696,091           | 9         | 2,351,806           | 9         |
| General and administrative                          | 441,758             | 1         | 400,253             | 1         |
| Research and development                            | <u>548,586</u>      | <u>2</u>  | <u>528,026</u>      | <u>2</u>  |
| Total operating expenses                            | <u>3,686,435</u>    | <u>12</u> | <u>3,280,085</u>    | <u>12</u> |
| OPERATING INCOME                                    | <u>1,048,713</u>    | <u>3</u>  | <u>504,554</u>      | <u>2</u>  |
| NONOPERATING INCOME AND GAINS                       |                     |           |                     |           |
| Equity in net income of investees                   | 2,157,654           | 7         | 2,775,483           | 10        |
| Foreign exchange gain, net                          | 1,156,942           | 4         | 65,250              | -         |
| Gain on sale of molds (Note 19)                     | 150,483             | -         | -                   | -         |
| Interest income                                     | 57,092              | -         | 2,456               | -         |
| Gain on sale of investments, net                    | 15,532              | -         | 25,380              | -         |
| Gain from valuation of financial assets             | 13,711              | -         | 14,838              | -         |
| Others (Note 19)                                    | <u>55,198</u>       | <u>-</u>  | <u>39,746</u>       | <u>-</u>  |
| Total nonoperating income and gains                 | <u>3,606,612</u>    | <u>11</u> | <u>2,923,153</u>    | <u>10</u> |
| NONOPERATING EXPENSES AND LOSSES                    |                     |           |                     |           |
| Overseas business expense (Note 19)                 | 49,632              | -         | 61,924              | -         |
| Interest expense (Note 19)                          | 1,188               | -         | 1,262               | -         |
| Losses on disposal of property, plant and equipment | 71                  | -         | 603                 | -         |
| Others (Note 19)                                    | <u>6,527</u>        | <u>-</u>  | <u>19,671</u>       | <u>-</u>  |
| Total nonoperating expenses and losses              | <u>57,418</u>       | <u>-</u>  | <u>83,460</u>       | <u>-</u>  |
| INCOME BEFORE INCOME TAX                            | 4,597,907           | 14        | 3,344,247           | 12        |
| INCOME TAX EXPENSE (Notes 2 and 15)                 | <u>766,342</u>      | <u>2</u>  | <u>460,349</u>      | <u>2</u>  |
| NET INCOME  | <u>\$ 3,831,565</u> | <u>12</u> | <u>\$ 2,883,898</u> | <u>10</u> |



## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
 YEARS ENDED DECEMBER 31, 2011 AND 2010  
 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                              | 2011            |                 | 2010            |                |
|------------------------------|-----------------|-----------------|-----------------|----------------|
|                              | Before Tax      | After Tax       | Before Tax      | After Tax      |
| EARNINGS PER SHARE (Note 18) |                 |                 |                 |                |
| Basic                        | <u>\$ 15.33</u> | <u>\$ 12.77</u> | <u>\$ 11.15</u> | <u>\$ 9.61</u> |
| Diluted                      | <u>\$ 15.30</u> | <u>\$ 12.75</u> | <u>\$ 11.13</u> | <u>\$ 9.60</u> |

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

(Concluded)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2010

|  | Capital Stock            |                    | Capital Surplus (Notes 2 and 13) |                         |                    |
|--|--------------------------|--------------------|----------------------------------|-------------------------|--------------------|
|  | Shares<br>(In Thousands) | Amount             | Excess from<br>Spin-off          | Long-term<br>Investment | Total              |
| BALANCE, JANUARY 1, 2010                         | 300,000                  | \$3,000,000        | \$ 5,986,507                     | \$ 2,461                | \$5,988,968        |
| Appropriation of 2009 earnings                   |                          |                    |                                  |                         |                    |
| Legal reserve                                    | -                        | -                  | -                                | -                       | -                  |
| Net income in 2010                               | -                        | -                  | -                                | -                       | -                  |
| Equity in the investees' translation adjustments | -                        | -                  | -                                | -                       | -                  |
| BALANCE, DECEMBER 31, 2010                       | 300,000                  | 3,000,000          | 5,986,507                        | 2,461                   | 5,988,968          |
| Appropriation of 2010 earnings                   |                          |                    |                                  |                         |                    |
| Legal reserve                                    | -                        | -                  | -                                | -                       | -                  |
| Cash dividend - \$5.6 per share                  | -                        | -                  | -                                | -                       | -                  |
| Net income in 2011                               | -                        | -                  | -                                | -                       | -                  |
| Equity in the investees' translation adjustments | -                        | -                  | -                                | -                       | -                  |
| BALANCE, DECEMBER 31, 2011                       | <u>300,000</u>           | <u>\$3,000,000</u> | <u>\$ 5,986,507</u>              | <u>\$ 2,461</u>         | <u>\$5,988,968</u> |

(In Thousands of New Taiwan Dollars)

| Retained Earnings (Notes 2 and 13) |                    |                            |                      | Cumulative<br>Translation<br>Adjustments<br>(Note 2) | Total<br>Stockholders'<br>Equity |
|------------------------------------|--------------------|----------------------------|----------------------|--|----------------------------------|
| Legal<br>Reserve                   | Special<br>Reserve | Unappropriated<br>Earnings | Total                |  |                                  |
| \$ 1,028,005                       | \$ 379,840         | \$ 3,667,054               | \$ 5,074,899         | \$ 1,206,273   | \$ 15,270,140                    |
| 65,288                             | -                  | (65,288)                   | -                    | -  | -                                |
| -                                  | -                  | 2,883,898                  | 2,883,898            | -  | 2,883,898                        |
| -                                  | -                  | -                          | -                    | (988,694)  | (988,694)                        |
| 1,093,293                          | 379,840            | 6,485,664                  | 7,958,797            | 217,579  | 17,165,344                       |
| 288,390                            | -                  | (288,390)                  | -                    | -  | -                                |
| -                                  | -                  | (1,680,000)                | (1,680,000)          | -  | (1,680,000)                      |
| -                                  | -                  | 3,831,565                  | 3,831,565            | -  | 3,831,565                        |
| -                                  | -                  | -                          | -                    | 246,575  | 246,575                          |
| <u>\$ 1,381,683</u>                | <u>\$ 379,840</u>  | <u>\$ 8,348,839</u>        | <u>\$ 10,110,362</u> | <u>\$ 464,154</u>                                    | <u>\$ 19,563,484</u>             |

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

|   | 2011         | 2010         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |              |              |
| Net income  | \$ 3,831,565 | \$ 2,883,898 |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Depreciation and amortization   | 485,841      | 591,736      |
| Gain on sale of investments, net  | (15,532)     | (25,380)     |
| Equity in net income of investees   | (2,157,654)  | (2,775,483)  |
| Cash dividends from equity-method investees                                       | 4,956,603    | 518,909      |
| Realized exchange gain of foreign-currency cash dividends                         | (1,009,693)  | (62,185)     |
| Gain from valuation of financial assets   | (13,711)     | (14,838)     |
| Loss on disposal of property, plant and equipment, net                            | 71           | 603          |
| Deferred income taxes   | 670,363      | 472,969      |
| Provision for pension costs   | 19,594       | 25,134       |
| Provision for loss on inventory purchase commitment                               | 57,785       | 30,028       |
| Provision for warranty liabilities  | 34,200       | 37,055       |
| Net changes in operating assets and liabilities                                   |              |              |
| Financial assets at fair value through profit or loss                             | (175,630)    | (940,940)    |
| Notes and accounts receivable   | 4,042        | 2,988        |
| Notes and accounts receivable - related parties                                   | (203,090)    | 72,740       |
| Dividends receivable  | (3,631,352)  | -            |
| Other financial assets  | 3,732,513    | (561,532)    |
| Inventories   | (777)        | (122)        |
| Prepayments   | (379,913)    | (1,648)      |
| Other current assets  | (424)        | 36,593       |
| Notes and accounts payable  | 63,011       | 78,542       |
| Notes and accounts payable - related parties                                      | 494,912      | 242,758      |
| Income tax payable  | 162,253      | (22,429)     |
| Accrued expenses  | 73,470       | 174,134      |
| Other current liabilities   | 2,375        | (1,412)      |
| Net cash provided by operating activities   | 7,000,822    | 762,118      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |              |              |
| Acquisitions of property, plant and equipment                                     | (12,455)     | (8,847)      |
| Decrease (increase) in refundable deposits  | (16,973)     | 4,682        |
| Increase in deferred charges  | (469,089)    | (240,507)    |
| Net cash used in investing activities   | (498,517)    | (244,672)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |              |              |
| Cash dividend paid  | (1,680,000)  | -            |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>                                   | 222,665      | (50,424)     |

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

|   | <b>2011</b>  | <b>2010</b>  |
|---|--------------|--------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS               | \$ 5,044,970 | \$ 467,022   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR            | 1,203,577    | 736,555      |
| CASH AND CASH EQUIVALENTS, END OF YEAR                  | \$ 6,248,547 | \$ 1,203,577 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b> |              |              |
| Cash paid for   |              |              |
| Interest  | \$ 1,193     | \$ 1,256     |
| Income tax  | \$ 77,075    | \$ 9,845     |

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

(Concluded)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

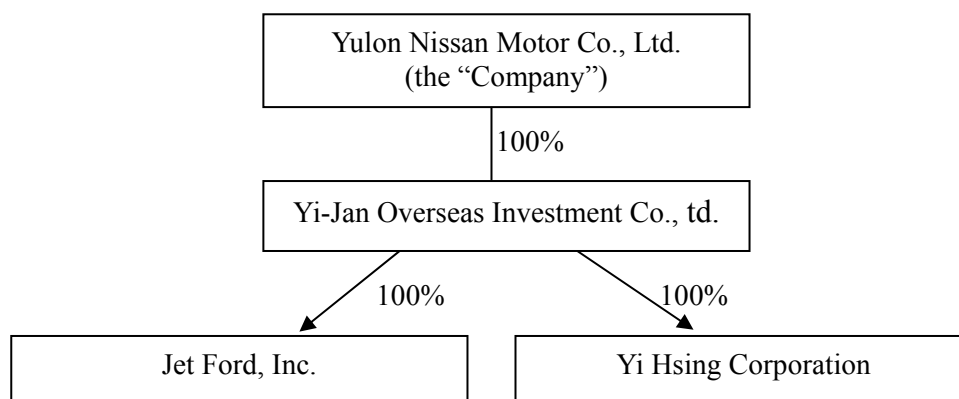
### 1. ORGANIZATION AND OPERATIONS

Yulon Nissan Motor Company, Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in November 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October 2003 through a spin-off. The Company’s spin-off from Yulon intended to increase Yulon’s competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003. Yulon initially held 100% equity interest in the Company but then transferred its 40% equity to Nissan Motor Co., Ltd. (“Nissan”), a Japanese motor company, on October 30, 2003. The Company became listed on December 21, 2004 after the initial public offering application of the Company was accepted by the Taiwan Stock Exchange Corporation on October 6, 2004.

Yi-Jan Overseas Investment Co., Ltd. (“Yi-Jan,” formerly Yu Fa Investment Co., Ltd.) was incorporated by Yulon in Cayman Islands on November 17, 1999, and all funds for Yi-Jan’s establishment were fully collected on March 16, 2000. Yi-Jan is primarily an investment holding company. In October 2003, Yulon reorganized its overseas investments and transferred all its equity in Yu Fa Investment Co., Ltd. to the Company. Yu Fa Investment Co., Ltd. was renamed to Yulon Nissan Overseas Investment Co., Ltd. In October 2004, Yulon Nissan Overseas Investment Co., Ltd. again changed its name to Yi-Jan Overseas Investment Co., Ltd. for the purpose of aligning its business with its overseas operations.

Jet Ford, Inc. (formerly Yu Hua Investment Co., Ltd.) was incorporated in the British Virgin Islands on January 12, 1994 and increased its capital in 2000. Jet Ford, Inc. is primarily an investment holding company. In October 2003, Yulon reorganized its overseas investments and transferred all its equity in Yu Hua Investment Co., Ltd. to Yulon Nissan Overseas Investment Co., Ltd. (now known as Yi-Jan Overseas Investment Co., Ltd.). Yu Hua Investment Co., Ltd. was renamed to Yulon Nissan Mainland Investment Co., Ltd. In 2004, Yulon Nissan Mainland Investment Co., Ltd. again changed its name to Jet Ford, Inc. for the purpose of aligning its business with its overseas operations.

Yi Hsing Corporation was incorporated by Yi-Jan Overseas Investment Co., Ltd. in the Republic of the Philippines in May 2004. Yi Hsing Corporation inquires about selling prices of motor parts and engages in commission-based businesses. The operating activities of Yi Hsing Corporation had been terminated on February 2011, and its liquidation had been completed on February 8, 2012.



As of December 31, 2011, the investment relationship between the Company and its subsidiaries and percentages of ownership were as follows:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (“ROC”). The Company’s significant accounting policies are summarized as follows:

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

### **Basis of Consolidated Financial Statements**

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company’s ownership percentage is less than 50% but over which the Company has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Yi-Jan Overseas Investment Co., Ltd., Jet Ford, Inc., and Yi Hsing Corporation, hereinafter referred to collectively as the “Group.”

The accounts of consolidated foreign subsidiaries are maintained in, and their separate financial statements are prepared using, U.S. dollars or Philippine pesos. For consolidation purposes, these financial statements are translated into New Taiwan dollars, using the following foreign exchange rates: (a) assets and liabilities - prevailing exchange rates on the balance sheet dates, (b) stockholders’ equity - historical rates, and (c) profit and loss accounts - weighted average rates of the year.

### **Foreign-currency Transactions**

Foreign-currency transactions are recorded in functional currency at the exchange rates prevailing on the transaction dates. Gains or losses realized upon the settlement of a foreign-currency transaction are included in the period in which the transaction is settled. On the balance sheet dates, the balances of the foreign currency-denominated assets and liabilities are adjusted to reflect the prevailing exchange rates, and the resulting gains or losses are recorded as follows:

- a. Long-term equity investments are treated as cumulative translation adjustment under stockholders’ equity; and
- b. Other assets and liabilities are treated as credits or charges to current income.

### **Accounting Estimates**

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of properties, deferred charges amortization, warranty, pension, and bonuses to employees. Actual results may differ from these estimates.

### **Current/Noncurrent Assets and Liabilities**

Current assets are unrestricted cash, cash equivalents and other assets held for trading, to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due within one year from the balance sheet date. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

### **Cash Equivalent**

Cash equivalents are commercial papers purchased with maturities of three months or less from the date of acquisition. The carrying amount approximates fair value.

### **Financial Instruments at Fair Value Through Profit or Loss**

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading upon purchase. Once the Group becomes a contractual party in a financial instrument arrangement, the financial instruments are eligible for classification as assets or liabilities. Financial asset is derecognized when the Group has lost control of its contractual rights over the asset. Financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value with the changes in fair value recognized in earnings. Cash dividends received (including in the first year of investments) are recognized as income. A regular purchase or sale of financial assets is recognized and derecognized using settlement date accounting.

The basis for determining the fair value of mutual funds is net assets value or redemption price as of balance sheet date.

### **Impairment of Accounts Receivable**

Before January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivable. On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account.



**Inventories**

Inventories are stated at the lower of weighted-average cost or net realizable value. Inventory write-downs are made item 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. Cost of sales includes the cost of inventories sold, warranty cost, loss on inventory purchase commitment, write-downs of inventories to net realizable value and any reversal of write-downs.

**Long-term Equity Investments**

Under the equity method, long-term investments are stated at cost on the acquisition date and subsequently adjusted for the Group's proportional equity share in the investees' net income and stockholders' equity in the same accounting period. Cash dividends received are accounted for as reductions of the carrying value of the investments. If an investee raises capital by issuing additional common stocks and the Company or its subsidiary does not purchase the additional stocks, the Company or its subsidiary will adjust its capital surplus account or unappropriated retained earnings account in proportion to its new equity in the investee's assets.

Stock dividends received from an investee are accounted for as increases in the number of shares held and are not recognized as investment income.

The costs of equity investments sold are determined using the weighted-average method.

An impairment loss is recognized when there is objective evidence indicating that the recoverable amount of an asset is less than its carrying amount.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Major renewals and betterments are capitalized, while maintenance and repairs are expensed immediately.

Depreciation expense is determined based upon the asset's estimated useful life using the straight-line method. The estimated useful lives are as follows: machinery and equipment, 3 to 10 years; transportation equipment, 4 to 5 years; tools, 2 to 5 years; computer equipment, 2 to 5 years; other equipment, 2 to 15 years; and leasehold improvement, 3 to 5 years. When properties are retired or disposed, their costs, related accumulated depreciation and related accumulated impairment are removed from the accounts, and gains or losses are recognized as nonoperating income and expenses.

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation.

**Deferred Charges**

Deferred charges are amortized as follows: (a) costs of molds and development costs for new model and dies are amortized on the basis of production volume; and (b) other deferred charges are amortized by the straight-line method over three years.

An impairment loss is recognized when the recoverable amount of an asset is less than its carrying amount. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated amortization.

### **Warranty**

Warranty is the estimated cost of rendering free after-sales services to the car buyers within the warranty period.

### **Pensions**

Pension costs subject to a defined benefit plan are recognized according to actuarial report. Unrecognized net transition obligation is amortized over 15 years. Prior service cost and pension gain (loss) are amortized using the straight-line method over the average remaining service years of employees. When a curtailment or settlement occurs, any gains or losses of this curtailment or settlement are accounted for as pension costs. Pension costs subject to defined contribution plan are recognized according to the amount of contributions by the Company during the employees' service period.

### **Income Tax**

The Group accounts for income tax using the asset and liability method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if available evidence indicates it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

Tax credits for research and development expenditures are recognized using the flow-through method.

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

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.

### **Revenue Recognition**

Revenue from sales of goods is recognized when the Company and subsidiaries has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable. Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent,

fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

### 3. REASON AND EFFECT OF THE CHANGES IN ACCOUNTING PRINCIPLE

#### Accounting for Financial Instruments

On January 1, 2011, the Company and subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision is loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no effect on the Company's net income and after income tax basic earnings per share for the year ended December 31, 2011.

#### Disclosure of Operating Segments

On January 1, 2011, the Company and subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 "Segment Reporting." For this accounting change, the Company disclosed the segment information as of and for the year ended December 31, 2011.

### 4. CASH AND CASH EQUIVALENTS

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2011</b>         | <b>2010</b>         |
| Cash   |                     |                     |
| Cash on hand   | \$ 20               | \$ 20               |
| Checking accounts and demand deposits                                      | 1,156,621           | 619,214             |
| Time deposits, annual yield rate - 2011: 0.87%-5.00%;<br>2010: 0.10%-2.20% | <u>5,091,906</u>    | <u>572,555</u>      |
|  | 6,248,547           | 1,191,789           |
| Cash equivalents   |                     |                     |
| Commercial papers, annual yield rate - 2010: 1.50%                         | -                   | <u>11,788</u>       |
|  | <u>\$ 6,248,547</u> | <u>\$ 1,203,577</u> |

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

|                                   | <b>December 31</b>  |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>2011</b>         | <b>2010</b>         |
| Financial assets held for trading |                     |                     |
| Mutual funds                      | <u>\$ 2,262,001</u> | <u>\$ 2,110,748</u> |

Net gain (loss) on financial assets held for trading in 2011 and 2010 was \$(24,377) thousand and \$40,218 thousand, respectively.

## 6. NOTES AND ACCOUNTS RECEIVABLE

|                     | <b>December 31</b> |                  |
|---------------------|--------------------|------------------|
|                     | <b>2011</b>        | <b>2010</b>      |
| Notes receivable    | \$ 430             | \$ 256           |
| Accounts receivable | <u>21,987</u>      | <u>26,203</u>    |
|                     | <u>\$ 22,417</u>   | <u>\$ 26,459</u> |

## 7. OTHER FINANCIAL ASSETS

|                                   | <b>December 31</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>2011</b>        | <b>2010</b>       |
| Receivable on sale of securities  | \$ 437,949         | \$ 576,039        |
| Receivable on sale of investments | 233,438            | -                 |
| Interest receivable               | 50,789             | 1,535             |
| Tax refund receivable             | 2,088              | 33,339            |
| Others                            | <u>12,577</u>      | <u>4,489</u>      |
|                                   | <u>\$ 736,841</u>  | <u>\$ 615,402</u> |

## 8. INVENTORIES

|       | <b>December 31</b> |                 |
|-------|--------------------|-----------------|
|       | <b>2011</b>        | <b>2010</b>     |
| Parts | <u>\$ 1,793</u>    | <u>\$ 1,016</u> |

The cost of inventories recognized as cost of sales in 2011 was \$27,380,203 thousand, which included warranty cost of \$82,211 thousand and loss on inventory purchase commitment of \$57,785 thousand. The cost of inventories recognized as cost of sales in 2010 was \$23,671,057 thousand, which included warranty cost of \$114,932 thousand and loss on inventory purchase commitment of \$30,028 thousand.

## 9. LONG-TERM EQUITY INVESTMENTS

|  | <b>December 31</b>    |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>2011</b>           |                       | <b>2010</b>           |                       |
|  | <b>Carrying Value</b> | <b>% of Ownership</b> | <b>Carrying Value</b> | <b>% of Ownership</b> |
|  |                       |                       |                       |                       |

## Equity method

|  |                     |       |                      |       |
|--|---------------------|-------|----------------------|-------|
| Guangzhou Aeolus Automobile Co., Ltd.  | \$ 5,958,828        | 40.00 | \$ 10,370,382        | 40.00 |
| Aeolus Xiangfan Automobile Co., Ltd.   | 2,299,325           | 16.55 | 1,904,817            | 16.55 |
| Aeolus Automobile Co., Ltd.            | 699,457             | 25.00 | 2,095,201            | 25.00 |
| Shenzhen Lan You Technology Co., Ltd.  | 318,985             | 45.00 | 251,504              | 45.00 |
| Dong Feng Yulon Used Cars Co., Ltd.    | 34,202              | 49.00 | 27,665               | 49.00 |
| Dong Feng Yulon Motors Sales Co., Ltd. | -                   | -     | 226,908              | 49.00 |
|  | <u>\$ 9,310,797</u> |       | <u>\$ 14,876,477</u> |       |

Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.) sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. for RMB49,000 thousand (NT\$233,438 thousand) in November 2011 and the gain on the sale of investments was NT\$53,620 thousand. The shares were reported in other financial assets.

The Group indirectly owns the following companies:

| Investee                              | Percentage of Ownership | Accumulated Investment Amount<br>(In Thousands) as of<br>December 31, 2011 |               |
|---------------------------------------|-------------------------|--|---------------|
| Aeolus Xiangfan Automobile Co., Ltd.  | 16.55                   | US\$   | 21,700        |
| Guangzhou Aeolus Automobile Co., Ltd. | 40.00                   |  | 16,941        |
| Aeolus Automobile Co., Ltd.           | 25.00                   |  | 10,890        |
| Shenzhen Lan You Technology Co., Ltd. | 45.00                   |  | 1,125         |
| Dong Feng Yulon Used Cars Co., Ltd.   | 49.00                   |  | <u>593</u>    |
|                                       |                         | US\$   | <u>51,249</u> |

## 10. PROPERTY, PLANT AND EQUIPMENT

|                          | December 31       |                   |
|--------------------------|-------------------|-------------------|
|                          | 2011              | 2010              |
| Accumulated depreciation |                   |                   |
| Machinery and equipment  | \$ 17,282         | \$ 16,560         |
| Transportation equipment | 3,983             | 3,792             |
| Tools                    | 4,435             | 3,801             |
| Computer equipment       | 70,098            | 64,629            |
| Other equipment          | 67,650            | 63,399            |
| Leasehold improvement    | <u>3,566</u>      | <u>1,994</u>      |
|                          | <u>\$ 167,014</u> | <u>\$ 154,175</u> |

Depreciation of property, plant and equipment amounted to \$16,058 thousand in 2011 and \$16,944 thousand in 2010.

**11. DEFERRED CHARGES**

|                   | <b>December 31</b>  |                     |
|-------------------|---------------------|---------------------|
|                   | <b>2011</b>         | <b>2010</b>         |
| Molds             | \$ 1,178,416        | \$ 1,146,798        |
| Dies              | 248,817             | 277,769             |
| Computer software | <u>12,740</u>       | <u>16,100</u>       |
|                   | <u>\$ 1,439,973</u> | <u>\$ 1,440,667</u> |

Amortization of deferred charges amounted to \$469,783 thousand and \$574,792 thousand in 2011 and 2010, respectively.

**12. ACCRUED EXPENSES**

|                    | <b>December 31</b> |                   |
|--------------------|--------------------|-------------------|
|                    | <b>2011</b>        | <b>2010</b>       |
| Wages and bonuses  | \$ 270,506         | \$ 261,884        |
| Promotion expenses | 165,257            | 122,464           |
| Others             | <u>124,294</u>     | <u>102,239</u>    |
|                    | <u>\$ 560,057</u>  | <u>\$ 486,587</u> |

**13. STOCKHOLDERS' EQUITY**

## a. Capital stock

The Company's registered capital was \$6,000,000 thousand and issued shares amounted to \$3,000,000 thousand.

## b. Capital surplus

Under the ROC Company Law, capital surplus can only be used to offset deficit. However, the capital surplus from share issued in excess of par (i.e., excess from spin-off) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. Also, the capital surplus from long-term equity investments may not be used for any purpose.

## c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income, less any accumulated deficit. The remainder of this income should be appropriated as follows:

1) 1% to 5% as bonus to employees.

2) The remainder and the undistributed retained earnings as dividends. The distribution is

proposed by the board of directors and approved by the stockholders.

The Company operates in a mature and stable industry. In determining the ratio of cash dividends to stock dividends, the Company considers factors such as the impact of dividends on reported profitability, cash required for future operations, any potential changes in the industry, interest of the stockholders and the effect on the of Company's financial ratios. Thus, cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2011 was calculated at 1.20% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2010 was calculated at 2.50% of net income net of the 10% deduction for legal reserve.

If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under the Company Law, legal reserve should be appropriated until the balance equals to the Company's capital. This reserve may only be used to offset deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Securities and Exchange Act, where the Securities and Futures Bureau of Financial Supervisory Commission of the Executive Yuan deems necessary, an amount equal to the net debit balance of certain shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 and the distribution of the 2009 earnings of the Company approved by the stockholders on June 21, 2010 were as follows:

|               | <u>Appropriation of Earnings</u> |             | <u>Earnings Per Share</u> |             |
|---------------|----------------------------------|-------------|---------------------------|-------------|
|               | <u>2010</u>                      | <u>2009</u> | <u>2010</u>               | <u>2009</u> |
| Legal reserve | \$ 288,390                       | \$ 65,288   |                           |             |
| Cash dividend | 1,680,000                        | -           | \$ 5.60                   | \$ -        |

The cash bonus to employees of \$64,824 thousand for 2010 was approved in stockholders' meeting on June 23, 2011. The approved amount of the cash bonus to employees was not different from the accrual amount of \$64,824 thousand reflected in the financial statements for the year ended December 31, 2010.

The cash bonus to employees of \$15,277 thousand for 2009 was approved in stockholders'

meeting on June 21, 2010. The approved amount of the cash bonus to employees was not different from the accrual amount of \$15,277 thousand reflected in the financial statements for the year ended December 31, 2009.

As of March 23, 2012, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2011 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2011 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

- d. As of December 31, 2011, the changes in cumulative translation adjustments were as follows:

|                                     | <b>December 31</b> |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | <b>2011</b>        | <b>2010</b>       |
| Balance, beginning of year          | \$ 217,579         | \$ 1,206,273      |
| Reclassified to profit or loss item | (1,009,693)        | (62,185)          |
| Recognized in adjustment of equity  | <u>1,256,268</u>   | <u>(926,509)</u>  |
| Balance, end of year                | <u>\$ 464,154</u>  | <u>\$ 217,579</u> |

#### 14. TECHNICAL COOPERATION AGREEMENT

The Company has a technical cooperation agreement (the "TCA") with Nissan. The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$447,442 thousand in 2011 and \$406,663 thousand in 2010, were recorded under cost of sales.

#### 15. INCOME TAX

- a. The reconciliation between income tax expense computed by applying the statutory income tax rate to income before income tax and income tax payable was as follows:

|  | <b>2011</b>       | <b>2010</b>   |
|--|-------------------|---------------|
| Income tax expense computed on the basis of income before income tax at statutory tax rate | \$ 781,644        | \$ 568,360    |
| Add (deduct) tax effects of:   |                   |               |
| Permanent differences  | 13,337            | 4,664         |
| Temporary differences  | (591,554)         | (515,291)     |
| Loss carryforwards used  | (40,468)          | (57,722)      |
| Investment tax credits   | (45,093)          | (58,759)      |
| Additional tax on retained earnings (10%)  | <u>91,551</u>     | <u>58,759</u> |
| Income tax payable   | <u>\$ 209,417</u> | <u>\$ 11</u>  |

The balance of the income tax payable shown on the balance sheet as of December 31, 2011 was net of prepaid income tax and included income tax payable of previous years. The balance of the income tax payable shown on the balance sheet as of December 31, 2010 was



income tax payable of previous years.

Income tax returns through 2008 had been examined by the tax authorities.

b. Income tax expense consisted of the following:

|                                     | <u>2011</u>       | <u>2010</u>       |
|-------------------------------------|-------------------|-------------------|
| Income tax payable                  | \$ 209,417        | \$ 11             |
| Deferred income tax                 | 670,363           | 472,969           |
| Prior year's income tax adjustments | <u>(113,438)</u>  | <u>(12,631)</u>   |
| Income tax expense                  | <u>\$ 766,342</u> | <u>\$ 460,349</u> |

Prior years' income tax adjustments arose from tax exemption from 2004 to 2007 as re-examined by tax authorities.

In May 2010, the Legislative Yuan of the Republic of China passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate to 17%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax benefit or expense.

c. Deferred income tax assets and liabilities consisted of the following:

|   | <u>December 31</u>    |                       |
|---|-----------------------|-----------------------|
|   | <u>2011</u>           | <u>2010</u>           |
| Current   |                       |                       |
| Loss on inventory purchase commitment                                   | \$ 21,053             | \$ 11,229             |
| Provision for warranty  | 9,139                 | 8,921                 |
| Unrealized foreign exchange loss  | 3,976                 | 3,015                 |
| Loss carryforwards  | 184                   | 39,009                |
| Investment tax credits  | <u>-</u>              | <u>45,093</u>         |
|   | 34,352                | 107,267               |
| Less: Valuation allowances  | <u>184</u>            | <u>251</u>            |
| Deferred income tax assets  | <u>\$ 34,168</u>      | <u>\$ 107,016</u>     |
| Noncurrent  |                       |                       |
| Provision for pension   | \$ 79,868             | \$ 76,401             |
| Impairment loss difference between financial<br>accounting and taxation | 43,954                | 70,515                |
| Provision for warranty  | 14,891                | 9,295                 |
| Investment tax credits  | 2,427                 | 1,001                 |
| Loss carryforwards  | <u>-</u>              | <u>178</u>            |
|   | 141,140               | 157,390               |
| Less: Valuation allowances  | <u>-</u>              | <u>178</u>            |
|   | 141,140               | 157,212               |
| Equity in net income of overseas subsidiaries                           | <u>(1,977,961)</u>    | <u>(1,396,520)</u>    |
| Net deferred income tax liabilities                                     | <u>\$ (1,836,821)</u> | <u>\$ (1,239,308)</u> |

The Company has investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries. As of December 31, 2011, the amount of the investment under the plans totaled \$24,268 thousand, with investment tax credit amount of \$2,427 thousand.

As of December 31, 2011, Yi Hsing Corporation had tax credits from prior years' loss carryforwards. The tax credits and their expiry years were as follows:

| Regulatory Basis of Tax Credits | Credit Item                     | Total Income Tax Credit Amount | Unused Income Tax Credit Amount | Year of Expiration |
|---------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------|
| Income Tax Law                  | Prior year's loss carryforwards | \$ 184                         | \$ 184                          | 2012               |

d. Information on the Imputation Tax System is as follows:

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2011              | 2010              |
| Balance of imputation credit account ("ICA") | <u>\$ 219,689</u> | <u>\$ 415,003</u> |

The Company estimated ICA rate for the 2011 earnings as of December 31, 2011 and the actual ICA rate for the 2010 earnings were 5.19% and 4.86%, respectively.

The credit available for allocation to the Company stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2011 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

e. Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jet Ford Inc., respectively, are tax-exempt.

## 16. PENSION PLAN

The pension calculation under the Labor Pension Act is considered as a defined contribution plan. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's monthly salary or wage. The Company contributes amounts equal to 6% of each employee's monthly salary since July 1, 2005.

Pension expenses recognized under the defined contribution plan were \$11,240 thousand and \$10,094 thousand in 2011 and 2010, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,021 thousand and \$1,823 thousand as of December 31, 2011 and 2010, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company has set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Company makes monthly contributions to a retirement fund amounts equal to 2% of salaries

and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan.

As of December 31, 2011, the subsidiaries of the Company had no pension plan for employees.

The status of the defined benefit pension plan as of and for the years ended December 31, 2011 and 2010 is summarized as follows:

a. Net pension cost was as follows:

|                                   | <u>2011</u>      | <u>2010</u>      |
|-----------------------------------|------------------|------------------|
| Service cost                      | \$ 6,766         | \$ 11,296        |
| Interest cost                     | 10,971           | 10,029           |
| Expected return of pension assets | (106)            | (208)            |
| Amortization                      | <u>12,004</u>    | <u>12,004</u>    |
| Net pension cost                  | <u>\$ 29,635</u> | <u>\$ 33,121</u> |

b. The reconciliation between the fund status and pension liabilities is summarized as follows:

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2011</u>        | <u>2010</u>       |
| Benefit obligations:                         |                    |                   |
| Vested benefit obligation                    | \$ 211,186         | \$ 206,465        |
| Non-vested benefit obligation                | <u>196,675</u>     | <u>198,352</u>    |
| Accumulated benefit obligation               | 407,861            | 404,817           |
| Additional benefits based on future salaries | <u>135,278</u>     | <u>143,743</u>    |
| Projected benefit obligation                 | 543,139            | 548,560           |
| Fair value of plan assets                    | <u>(5,458)</u>     | <u>(2,352)</u>    |
| Funded status                                | 537,681            | 546,208           |
| Prior service cost                           | (19,912)           | (22,416)          |
| Benefit obligations:                         |                    |                   |
| Unrecognized net transition obligation       | (32,521)           | (42,021)          |
| Unrecognized net loss                        | <u>(17,089)</u>    | <u>(34,008)</u>   |
| Accrued pension liability                    | <u>\$ 468,159</u>  | <u>\$ 447,763</u> |

|                    | <u>December 31</u> |                   |
|--------------------|--------------------|-------------------|
|                    | <u>2011</u>        | <u>2010</u>       |
| c. Vested benefits | <u>\$ 276,202</u>  | <u>\$ 273,966</u> |

d. Actuarial assumptions

|  |       |       |
|--|-------|-------|
| Discount rate                          | 2.00% | 2.00% |
| Rate of salary increase                | 2.50% | 2.50% |
| Expected rate of return on plan assets | 2.00% | 2.00% |

e. Contributions and payments

|               | <u>2011</u>     | <u>2010</u>      |
|---------------|-----------------|------------------|
| Contributions | \$ 5,855        | \$ 8,278         |
| Payments      | <u>\$ 6,187</u> | <u>\$ 13,536</u> |

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

|                            | <u>2011</u>               |                               |                   |
|----------------------------|---------------------------|-------------------------------|-------------------|
|                            | <u>Operating<br/>Cost</u> | <u>Operating<br/>Expenses</u> | <u>Total</u>      |
| Personnel expenses         |                           |                               |                   |
| Salaries                   | \$ 1,043                  | \$ 559,308                    | \$ 560,351        |
| Labor and health insurance | -                         | 27,651                        | 27,651            |
| Pension                    | -                         | 39,524                        | 39,524            |
| Other personnel expenses   | <u>-</u>                  | <u>25,589</u>                 | <u>25,589</u>     |
|                            | <u>\$ 1,043</u>           | <u>\$ 652,072</u>             | <u>\$ 653,115</u> |
| Depreciation               | <u>\$ -</u>               | <u>\$ 16,058</u>              | <u>\$ 16,058</u>  |
| Amortization               | <u>\$ 463,283</u>         | <u>\$ 6,500</u>               | <u>\$ 469,783</u> |
|                            |                           |                               |                   |
|                            | <u>2010</u>               |                               |                   |
|                            | <u>Operating<br/>Cost</u> | <u>Operating<br/>Expenses</u> | <u>Total</u>      |
| Personnel expenses         |                           |                               |                   |
| Salaries                   | \$ 982                    | \$ 517,240                    | \$ 518,222        |
| Labor and health insurance | -                         | 25,659                        | 25,659            |
| Pension                    | -                         | 41,035                        | 41,035            |
| Other personnel expenses   | <u>-</u>                  | <u>22,609</u>                 | <u>22,609</u>     |
|                            | <u>\$ 982</u>             | <u>\$ 606,543</u>             | <u>\$ 607,525</u> |
| Depreciation               | <u>\$ 1,558</u>           | <u>\$ 15,386</u>              | <u>\$ 16,944</u>  |
| Amortization               | <u>\$ 564,226</u>         | <u>\$ 10,566</u>              | <u>\$ 574,792</u> |

## 18. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share ("EPS") were as follows:

| <u>Amounts (Numerator)</u>     |               | Shares<br>(Denominator)<br>(Thousands) | <u>EPS (Dollars)</u>           |               |
|--------------------------------|---------------|--|--------------------------------|---------------|
| Income<br>Before<br>Income Tax | Net<br>Income |  | Income<br>Before<br>Income Tax | Net<br>Income |

2011

Basic EPS

|  |                     |                     |                      |                 |                 |
|--|---------------------|---------------------|----------------------|-----------------|-----------------|
| Income for the period attributable to common stockholders  | \$ 4,597,907        | \$ 3,831,565        | 300,000              | \$ <u>15.33</u> | \$ <u>12.77</u> |
| Effect of dilutive potential common stock  |                     |                     |                      |                 |                 |
| Bonus to employees   | <u>          -</u>  | <u>          -</u>  | <u>      496</u>     |                 |                 |
| Diluted EPS  |                     |                     |                      |                 |                 |
| Income for the period attributable to common stockholders plus effect of potential dilutive common stock | <u>\$ 4,597,907</u> | <u>\$ 3,831,565</u> | <u>      300,496</u> | <u>\$ 15.30</u> | <u>\$ 12.75</u> |
| <u>2010</u>  |                     |                     |                      |                 |                 |
| Basic EPS  |                     |                     |                      |                 |                 |
| Income for the period attributable to common stockholders  | \$ 3,344,247        | \$ 2,883,898        | 300,000              | \$ <u>11.15</u> | \$ <u>9.61</u>  |
| Effect of dilutive potential common stock  |                     |                     |                      |                 |                 |
| Bonus to employees   | <u>          -</u>  | <u>          -</u>  | <u>      353</u>     |                 |                 |
| Diluted EPS  |                     |                     |                      |                 |                 |
| Income for the period attributable to common stockholders plus effect of potential dilutive common stock | <u>\$ 3,344,247</u> | <u>\$ 2,883,898</u> | <u>      300,353</u> | <u>\$ 11.13</u> | <u>\$ 9.60</u>  |

The Accounting Research and Development Foundation of Republic of China issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price (after considering the effect of cash and stock dividends) of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolved the number of shares to be distributed to employees at their meeting in the following year.

## 19. RELATED-PARTY TRANSACTIONS

The Group had business transactions with the following related parties:

- a. Related parties

| <b>Related Party</b>                                    | <b>Relationship with the Company</b>                                    |
|---|---|
| Nissan Motor Corporation (“Nissan”)                     | Parent company  |
| Nissan Trading Co., Ltd.                                | Subsidiary of Nissan  |
| Nissan S.A. (Pty) Ltd.                                  | Same as above   |
| Nissan Motor Egypt S.A.E.                               | Same as above   |
| PT. Nissan Motor Indonesia (“NMI”)                      | Same as above   |
| Nissan Asia Pacific Pte. Ltd.                           | Same as above   |
| Nissan Vietnam Co., Ltd.                                | Equity-method investee of Nissan  |
| Nissan Motors Co., Ltd. Honmoku Plant                   | Same as above   |
| Ashok Leyland Nissan Vehicles Ltd.                      | Same as above   |
| Nissan Motor (Thailand) Co., Ltd.                       | Cost-method investee of Nissan  |
| Allied Engineering Co., Ltd.                            | Same as above   |
| Zhengzhou Nissan Automobile Co., Ltd.                   | Same as above   |
| Chien Tai Industry Co., Ltd.                            | Same as above   |
| Taiwan Calsonic Co., Ltd.                               | Same as above   |
| Dongfeng Yi Jin Co., Ltd.                               | Equity-method investee of Nissan  |
| Dongfeng Nissan Passenger Vehicle Co.                   | Same as above   |
| Lan You Technology Co., Ltd.                            | Equity-method investee of Jet Ford, Inc.                                |
| Yulon Motor Co., Ltd. (“Yulon”)                         | Equity-method investor of the Company                                   |
| Taiwan Acceptance Corporation                           | Subsidiary of Yulon   |
| Yueki Industrial Co., Ltd.                              | Same as above   |
| Yue Sheng Industrial Co., Ltd.                          | Same as above   |
| Nissan Taiwan Ltd.                                      | Same as above   |
| Yu Pong Business Co., Ltd.                              | Same as above   |
| Yu Ching Business Co., Ltd.                             | Same as above   |
| Yushin Motor Co., Ltd.                                  | Same as above   |
| Chi Long Motor Co., Ltd.                                | Same as above   |
| Yu Chang Motor Co., Ltd.                                | Same as above   |
| Sin Etke Technology Co., Ltd.                           | Same as above   |
| Yu Sing Motor Co., Ltd.                                 | Same as above   |
| Empower Motor Co., Ltd.                                 | Same as above   |
| Uni Auto Parts Co., Ltd.                                | Same as above   |
| Chan Yun Technology Co., Ltd.                           | Same as above   |
| Y-teks, Co.   | Same as above   |
| Singan Co., Ltd.  | Same as above   |
| Luxgen Motor Co., Ltd.                                  | Same as above   |
| Singual Technology Co., Ltd.                            | Subsidiary of Singan Co., Ltd.  |
| Hsiang Shou Enterprise Co., Ltd.                        | Same as above   |
| Hong Shou Culture Enterprise Co., Ltd.                  | Same as above   |
| Sinboum Travel Service Co., Ltd.                        | Same as above (merged with Andes Travel Service Ltd. in September 2011) |
| Uni Calsonic Corporation                                | Equity-method investee of Yulon   |
| Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.) | Same as above   |
| Yuan Lon Motor Co., Ltd.                                | Same as above   |
| Chen Long Co., Ltd.                                     | Same as above   |
| ROC Spicer Ltd.   | Same as above   |
| China Motor Corporation                                 | Same as above   |
| Chi Ho Corporation                                      | Same as above   |

(Continued)

| <b>Related Party</b>   | <b>Relationship with the Company</b>               |
|--|--|
| Yu Tang Motor Co., Ltd.                                      | Same as above                                      |
| Tokio Marine Newa Insurance Co., Ltd.                        | Same as above                                      |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | Same as above                                      |
| Hui-Lian Motor Co.   | Same as above                                      |
| Ka-Plus Automobile Leasing Co., Ltd.                         | Subsidiary of Taiwan Acceptance Corporation        |
| Sinjang Co., Ltd.  | Same as above                                      |
| Visionary International Consulting Co., Ltd.                 | Subsidiary of Yulon Management Co., Ltd.           |
| Yu Pool Co., Ltd.  | Subsidiary of Yushin Motor Co., Ltd.               |
| Chu-Miao Scupio Co., Ltd.                                    | Same as above                                      |
| Yu-Jan Co., Ltd.   | Subsidiary of Yu Sing Motor Co., Ltd.              |
| China Ogihara Corporation                                    | Subsidiary of China Motor Corporation              |
| Tan Wang Co., Ltd.   | Subsidiary of Yu Chang Motor Co., Ltd.             |
| Tang Li Enterprise Co., Ltd.                                 | Subsidiary of Yu Tang Motor Co., Ltd.              |
| Nissan Motor Philippines, Inc. (NMPI)                        | Equity-method investee of Yulon                    |
| Taiway, Ltd.   | Same as above                                      |
| Ding Long Motor Co., Ltd.                                    | Subsidiary of Chen Long Co., Ltd.                  |
| Lian Cheng Motor Co., Ltd.                                   | Same as above                                      |
| CL Skylite Trading Co., Ltd.                                 | Substantial related party of Chen Long Co., Ltd.   |
| Yuan Jyh Motor Co., Ltd.                                     | Subsidiary of Yuan Lon Motor Co., Ltd.             |
| Kian Shen Corporation  | Substantial related party of Yulon                 |
| Tsung Ho Enterprise Co., Ltd.                                | Subsidiary of Chi Ho Corporation                   |
| Diamond Leasing Service Co., Ltd.                            | Subsidiary of Ka-Plus Automobile Leasing Co., Ltd. |
| Hsieh Kuan Manpower Service Co., Ltd.                        | Subsidiary of Diamond Leasing Service Co., Ltd.    |

(Concluded)

- b. The prices and payment terms for related-party transactions were based on agreements.
- c. Significant transactions with related parties are summarized as follows:

|                                      | <b>2011</b>   |                   | <b>2010</b>   |                   |
|--------------------------------------|---------------|-------------------|---------------|-------------------|
|                                      | <b>Amount</b> | <b>% to Total</b> | <b>Amount</b> | <b>% to Total</b> |
| 1) Operating revenue - sales revenue |               |                   |               |                   |
| Taiwan Acceptance Corporation        | \$ 28,208,372 | 88                | \$ 24,031,493 | 88                |
| Yuan Lon Motor Co., Ltd.             | 343,044       | 1                 | 310,863       | 1                 |
| Chi Ho Corporation                   | 327,618       | 1                 | 249,653       | 1                 |
| Yu Chang Motor Co., Ltd.             | 323,246       | 1                 | 322,467       | 1                 |
| Yu Sing Motor Co., Ltd.              | 283,632       | 1                 | 268,671       | 1                 |
| Empower Motor Co., Ltd.              | 278,924       | 1                 | 201,575       | 1                 |
| Yushin Motor Co., Ltd.               | 217,673       | 1                 | 192,841       | 1                 |
| Chen Long Co., Ltd.                  | 217,136       | 1                 | 208,282       | 1                 |
| Hui-Lian Motor Co., Ltd.             | 214,065       | 1                 | 194,106       | 1                 |

|                               |                      |           |                      |           |
|-------------------------------|----------------------|-----------|----------------------|-----------|
| Yu Tang Motor Co., Ltd.       | 211,013              | -         | 191,514              | -         |
| Nissan Motor Egypt S.A.E.     | 154,768              | -         | 187,587              | -         |
| NMPI                          | 79,131               | -         | 94,752               | -         |
| Sin Etek Technology Co., Ltd. | 68,602               | -         | 47,272               | -         |
| Others                        | <u>599,732</u>       | <u>2</u>  | <u>429,955</u>       | <u>2</u>  |
|                               | <u>\$ 31,526,956</u> | <u>98</u> | <u>\$ 26,931,031</u> | <u>98</u> |

|  | <b>2011</b>      |                   | <b>2010</b>      |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | <b>Amount</b>    | <b>% to Total</b> | <b>Amount</b>    | <b>% to Total</b> |
| 2) Operating revenue - service revenue |                  |                   |                  |                   |
| Nissan                                 | <u>\$ 11,354</u> | <u>100</u>        | <u>\$ 15,805</u> | <u>100</u>        |

The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts.

|  | <b>2011</b>      |                   | <b>2010</b>      |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | <b>Amount</b>    | <b>% to Total</b> | <b>Amount</b>    | <b>% to Total</b> |
| 3) Operating revenue - other                                 |                  |                   |                  |                   |
| Yulon  | \$ 39,197        | 71                | \$ 23,631        | 43                |
| Zhengzhou Nissan Automobile Co., Ltd.                        | 11,227           | 20                | 20,557           | 38                |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 4,021            | 7                 | 5,531            | 10                |
| Others   | <u>730</u>       | <u>1</u>          | <u>1,016</u>     | <u>2</u>          |
|  | <u>\$ 55,175</u> | <u>99</u>         | <u>\$ 50,735</u> | <u>93</u>         |

Other operating revenue of the Company arose from selling steel plates, steel and aluminum parts, and engaging in vehicles identification and testing.

|   | <b>2011</b>          |                   | <b>2010</b>          |                   |
|---|----------------------|-------------------|----------------------|-------------------|
|   | <b>Amount</b>        | <b>% to Total</b> | <b>Amount</b>        | <b>% to Total</b> |
| 4) Operating cost - purchase                                |                      |                   |                      |                   |
| Yulon   | \$ 26,193,323        | 99                | \$ 22,425,521        | 99                |
| Others  | <u>73,553</u>        | <u>-</u>          | <u>72,741</u>        | <u>-</u>          |
|   | <u>\$ 26,266,876</u> | <u>99</u>         | <u>\$ 22,498,262</u> | <u>99</u>         |
| 5) Operating cost - Technical Cooperation Agreement ("TCA") |                      |                   |                      |                   |
| Nissan  | <u>\$ 447,442</u>    | <u>100</u>        | <u>\$ 406,663</u>    | <u>100</u>        |



## 6) Operating expenses - rental

|                                       |    |               |           |    |               |           |
|---------------------------------------|----|---------------|-----------|----|---------------|-----------|
| Yulon                                 | \$ | 21,788        | 31        | \$ | 20,959        | 36        |
| Ka-Plus Automobile Leasing Co., Ltd.  |    | 7,662         | 11        |    | 8,515         | 15        |
| Sin Etke Technology Co., Ltd.         |    | 2,916         | 4         |    | 2,916         | 5         |
| Hsieh Kuan Manpower Service Co., Ltd. |    | 2,572         | 4         |    | 860           | 1         |
| Tang Li Enterprise Co., Ltd.          |    | 1,273         | 2         |    | 805           | 1         |
| Others                                |    | 250           | -         |    | 756           | -         |
|                                       | \$ | <u>36,461</u> | <u>52</u> | \$ | <u>34,811</u> | <u>58</u> |

The Company's rental expenses paid monthly to Yulon are primarily comprised of customer service system, building property and car testing expenses. The Company leases cars, as needed for its executives, from Ka-Plus Automobile Leasing Co., Ltd. and Tang Li Enterprise Co., Ltd., and pays the rental expenses monthly. The Company leases customer service system from Sin Etke Technology Co., Ltd., and pays the rental expenses monthly. Hsieh Kuan Manpower Service Co., Ltd. provides the Company driving service for its executives and charges monthly.

|   | 2011   |                  | 2010      |            |                  |           |
|---|--------|------------------|-----------|------------|------------------|-----------|
|   | Amount | % to Total       | Amount    | % to Total |                  |           |
| 7) Operating expenses - marketing and selling expense |        |                  |           |            |                  |           |
| Taiwan Acceptance Corporation                         | \$     | 261,138          | 10        | \$         | 216,037          | 9         |
| Yu Sing Motor Co., Ltd.                               |        | 220,941          | 8         |            | 209,255          | 9         |
| Yu Chang Motor Co., Ltd.                              |        | 211,103          | 8         |            | 214,759          | 9         |
| Yuan Lon Motor Co., Ltd.                              |        | 178,923          | 6         |            | 178,211          | 8         |
| Chen Long Co., Ltd.                                   |        | 137,115          | 5         |            | 113,640          | 5         |
| Empower Motor Co., Ltd.                               |        | 132,901          | 5         |            | 127,712          | 5         |
| Yushin Motor Co., Ltd.                                |        | 131,688          | 5         |            | 133,173          | 6         |
| Hui-Lian Motor Co., Ltd.                              |        | 126,312          | 5         |            | 129,425          | 6         |
| Chi Ho Corporation                                    |        | 117,984          | 4         |            | 109,401          | 5         |
| Yu Tang Motor Co., Ltd.                               |        | 112,675          | 4         |            | 102,449          | 4         |
| Others  |        | 160,979          | 6         |            | 152,152          | 6         |
|   | \$     | <u>1,791,759</u> | <u>66</u> | \$         | <u>1,686,214</u> | <u>72</u> |

## 8) Operating expenses - general and administrative expense

|                                       |    |         |    |    |         |    |
|---------------------------------------|----|---------|----|----|---------|----|
| Yulon Management Co., Ltd.            | \$ | 174,677 | 40 | \$ | 172,950 | 44 |
| Chen Long Co., Ltd.                   |    | 2,813   | 1  |    | 1,915   | -  |
| Chan Yun Technology Co., Ltd.         |    | 1,848   | -  |    | 2,068   | -  |
| Hsieh Kuan Manpower Service Co., Ltd. |    | 1,132   | -  |    | 3,364   | 1  |
| Tokio Marine Nawa Insurance Co., Ltd. |    | 1,023   | -  |    | 2,422   | 1  |
| Others                                |    | 4,874   | 1  |    | 12,715  | 3  |

\$ 186,367     42     \$ 195,434     49

The Company paid fees for consulting, labor dispatch and IT services to Yulon Management Co., Ltd.

|  | 2011             |               | 2010             |               |
|--|------------------|---------------|------------------|---------------|
|  | Amount           | % to<br>Total | Amount           | % to<br>Total |
| 9) Operating expenses - research and development expense     |                  |               |                  |               |
| Yulon  | \$ 40,521        | 7             | \$ 6,632         | 1             |
| Hsiang Shou Enterprise Co., Ltd.                             | 23,044           | 4             | 23,888           | 5             |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 3,029            | 1             | 45,000           | 9             |
| Others   | <u>3,103</u>     | <u>1</u>      | <u>1,672</u>     | <u>-</u>      |
|  | <u>\$ 69,697</u> | <u>13</u>     | <u>\$ 77,192</u> | <u>15</u>     |

The Company paid for sample products and trial fee to Yulon. The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expenses for TOBE System. The Company also paid Hua-Chuang Automobile Information Technical Center Co., Ltd. for design expenses of new automobile model.

|   | 2011              |               | 2010        |               |
|---|-------------------|---------------|-------------|---------------|
|   | Amount            | % to<br>Total | Amount      | % to<br>Total |
| 10) Nonoperating income - gain on sale of molds |                   |               |             |               |
| Ashok Leyland Nissan Vehicles Ltd.              | \$ <u>150,483</u> | <u>100</u>    | <u>\$ -</u> | <u>-</u>      |

The revenue from Ashok Leyland Nissan Vehicles Ltd. was earned from sale of molds of products which had gone out of production. The molds had been fully provided with allowance for impairment in 2009.

|  | 2011          |               | 2010         |               |
|--|---------------|---------------|--------------|---------------|
|  | Amount        | % to<br>Total | Amount       | % to<br>Total |
| 11) Nonoperating income - others                             |               |               |              |               |
| Yu Chang Motor Co., Ltd.                                     | \$ 3,716      | 7             | \$ 789       | 2             |
| Yu Sing Motor Co., Ltd.                                      | 2,825         | 5             | 698          | 2             |
| Yuan Lon Motor Co., Ltd.                                     | 2,681         | 5             | 1,250        | 3             |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 2,537         | 4             | 1,563        | 4             |
| Others   | <u>15,000</u> | <u>27</u>     | <u>9,944</u> | <u>25</u>     |

|  |                   |                   |                    |                   |
|--|-------------------|-------------------|--------------------|-------------------|
|  | \$ <u>26,759</u>  | <u>48</u>         | \$ <u>14,244</u>   | <u>36</u>         |
| 12) Nonoperating expenses and losses - overseas business expense |                   |                   |                    |                   |
| Yulon Management Co., Ltd.                                       | \$ 22,238         | 45                | \$ 12,750          | 21                |
| Sinjang Co., Ltd.  | 7,980             | 16                | 8,210              | 13                |
| Visionary International Consulting Co., Ltd.                     | 2,644             | 5                 | 2,652              | 4                 |
| Others   | <u>3,212</u>      | <u>7</u>          | <u>4,402</u>       | <u>7</u>          |
|  | <u>\$ 36,074</u>  | <u>73</u>         | <u>\$ 28,014</u>   | <u>45</u>         |
| 13) Nonoperating expenses and losses - others                    |                   |                   |                    |                   |
| Yu Chang Motor Co., Ltd.   | \$ 934            | 14                | \$ -               | -                 |
| Others   | <u>-</u>          | <u>-</u>          | <u>838</u>         | <u>4</u>          |
|  | <u>\$ 934</u>     | <u>14</u>         | <u>\$ 838</u>      | <u>4</u>          |
|  |                   |                   |                    |                   |
|  |                   |                   | <b>December 31</b> |                   |
|  | <b>2011</b>       |                   | <b>2010</b>        |                   |
|  | <b>Amount</b>     | <b>% to Total</b> | <b>Amount</b>      | <b>% to Total</b> |
| 14) Notes and accounts receivable - related parties              |                   |                   |                    |                   |
| Taiwan Acceptance Corporation                                    | \$ 168,888        | 32                | \$ 125,763         | 39                |
| Empower Motor Co., Ltd.  | 69,585            | 13                | 5,724              | 2                 |
| Ashok Leyland Nissan Vehicles Ltd.                               | 50,925            | 10                | -                  | -                 |
| Chi Ho Corporation   | 47,651            | 9                 | 4,913              | 1                 |
| NMPI   | 43,335            | 8                 | 57,223             | 18                |
| Nissan Motor Egypt S.A.E.  | 34,795            | 7                 | 37,109             | 11                |
| Sin Etke Technology Co., Ltd.                                    | 26,952            | 5                 | 15,259             | 5                 |
| Others   | <u>83,612</u>     | <u>16</u>         | <u>76,662</u>      | <u>24</u>         |
|  | <u>\$ 525,743</u> | <u>100</u>        | <u>\$ 322,653</u>  | <u>100</u>        |
| 15) Refundable deposits  |                   |                   |                    |                   |
| Yulon  | \$ 17,600         | 89                | \$ 100             | 4                 |
| NMPI   | <u>57</u>         | <u>1</u>          | <u>54</u>          | <u>2</u>          |
|  | <u>\$ 17,657</u>  | <u>90</u>         | <u>\$ 154</u>      | <u>6</u>          |

The Company paid refundable deposits to Yulon mainly for production of new car models. The Company paid refundable deposits to NMPI for the office space leased by

Yi-Hsing in accordance with the contract.

|  | <b>December 31</b>  |                       |                     |                       |
|--|---------------------|-----------------------|---------------------|-----------------------|
|  | <b>2011</b>         |                       | <b>2010</b>         |                       |
|  | <b>Amount</b>       | <b>% to<br/>Total</b> | <b>Amount</b>       | <b>% to<br/>Total</b> |
| 16) Notes and accounts payable - related parties |                     |                       |                     |                       |
| Yulon  | \$ 1,106,477        | 70                    | \$ 608,828          | 57                    |
| Nissan   | 99,227              | 6                     | 108,686             | 10                    |
| Taiwan Acceptance Corporation                    | 60,565              | 4                     | 61,043              | 6                     |
| Chian Ogihara Corporation                        | 45,090              | 3                     | 11,568              | 1                     |
| Others   | <u>259,113</u>      | <u>17</u>             | <u>285,435</u>      | <u>26</u>             |
|  | <u>\$ 1,570,472</u> | <u>100</u>            | <u>\$ 1,075,560</u> | <u>100</u>            |

17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$2,026,390 thousand and \$1,960,585 thousand in 2011 and 2010, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$1,188 thousand and \$1,130 thousand in 2011 and 2010, respectively.

18) The Company signed a molds contract with Diamond Leasing Service Co., Ltd. The contract is valid from December 2011 to the end of production of the car model. The contract amounted to \$432,642 thousand payable in four installments with the last installment payable six months after the car model started mass production. As of the end of 2011, the Company had already paid \$86,528 thousand (recognized as deferred charges). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year the amount of \$2.6 per ten thousand dollars based on the accumulated amount of molds paid in prior year.

19) The Company bought molds from related parties (molds purchased were recorded under deferred charges) as follows:

|                                | <b>2011</b>       | <b>2010</b>       |
|--------------------------------|-------------------|-------------------|
| China Ogihara Corporation      | \$ 45,090         | \$ 11,568         |
| Yueki Industrial Co., Ltd.     | 20,903            | 77,715            |
| Yulon                          | 18,008            | 22,470            |
| Chien Tai Industry Co., Ltd.   | 12,386            | 6,265             |
| Y-teks, Co.                    | 10,716            | 20,002            |
| Yue Sheng Industrial Co., Ltd. | 10,019            | 1,938             |
| Uni Calsonic Corporation       | 9,799             | 2,284             |
| Kian Shen Corporation          | 9,776             | 1,558             |
| Others                         | <u>5,140</u>      | <u>58,114</u>     |
|                                | <u>\$ 141,837</u> | <u>\$ 201,914</u> |

20) Compensation of directors, supervisors and management personnel:

|            | <b>2011</b>      | <b>2010</b>      |
|------------|------------------|------------------|
| Salaries   | \$ 31,914        | \$ 30,745        |
| Incentives | 6,904            | 6,716            |
| Bonuses    | <u>193</u>       | <u>1,426</u>     |
|            | <u>\$ 39,011</u> | <u>\$ 38,887</u> |

## 20. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company and subsidiaries as of December 31, 2011 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of December 31, 2011, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2011, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the next five years and after are as follows:

| <b>Year</b>    | <b>Rental<br/>(Thousands)</b> |
|----------------|-------------------------------|
| 2012           | \$ 2,508                      |
| 2013           | 2,508                         |
| 2014           | 2,508                         |
| 2015           | 2,508                         |
| 2016 and after | 3,971                         |

- d. The Company had commitments to buy computer equipment, other equipment, computer software and molds for \$3,940 thousand, \$185 thousand, \$580 thousand and \$404,520 thousand, respectively.

## 21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

|  | December 31        |             |                    |             |
|--|--------------------|-------------|--------------------|-------------|
|  | 2011               |             | 2010               |             |
|  | Carrying<br>Amount | Fair Value  | Carrying<br>Amount | Fair Value  |
| <u>Nonderivative financial instruments</u>               |                    |             |                    |             |
| Assets:  |                    |             |                    |             |
| Cash and cash equivalents                                | \$6,248,547        | \$6,248,547 | \$1,203,577        | \$1,203,577 |
| Financial assets at fair value<br>through profit or loss | 2,262,001          | 2,262,001   | 2,110,748          | 2,110,748   |
| Notes and accounts receivable                            | 22,417             | 22,417      | 26,459             | 26,459      |
| Notes and accounts receivable -<br>related parties       | 525,743            | 525,743     | 322,653            | 322,653     |
| Dividends receivable                                     | 3,631,352          | 3,631,352   |                    |             |
| Other financial assets                                   | 736,841            | 736,841     | 615,402            | 615,402     |
| Long-term equity investments                             | 9,310,797          | 9,228,219   | 14,876,477         | 14,745,442  |
| Refundable deposits                                      | 19,707             | 19,707      | 2,734              | 2,734       |
| Liabilities:   |                    |             |                    |             |
| Notes and accounts payable                               | 144,530            | 144,530     | 81,519             | 81,519      |
| Notes and accounts payable -<br>related parties          | 1,570,472          | 1,570,472   | 1,075,560          | 1,075,560   |
| Income tax payable                                       | 213,240            | 213,240     | 50,987             | 50,987      |
| Accrued expenses   | 560,057            | 560,057     | 486,587            | 486,587     |
| Accrued pension liabilities                              | 469,180            | 469,180     | 449,586            | 449,586     |

- b. The Group uses the following methods and assumptions to estimate the fair values of its financial instruments:
- 1) For financial instruments, except those mentioned in (2), (3) and (4) below, the carrying values reported in the balance sheet approximate their fair values.
  - 2) The financial assets at fair value through profit or loss are estimated at market quotations.
  - 3) Fair value of long-term equity investments is based on net asset value of the investment.
  - 4) For refundable deposits, the variance between the amounts to be actually paid and the carrying values is very minimal; thus, the carrying values are used as the basis for fair value estimation

- c. Fair value of financial instruments was as follows:

|   | <b>Amount Based on Quoted<br/>Market Price</b> |              | <b>Amount Determined Using<br/>Valuation Techniques</b> |             |
|---|--|--------------|---|-------------|
|   | <b>December 31</b>                             |              | <b>December 31</b>                                      |             |
|   | <b>2011</b>                                    | <b>2010</b>  | <b>2011</b>   | <b>2010</b> |
| Financial assets at fair value<br>through profit or loss: |  |              |   |             |
| Financial assets held for<br>trading                      |  |              |   |             |
| Mutual funds  | \$ 2,201,855                                   | \$ 2,029,725 | \$ 60,146   | \$ 81,023   |

- d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$406 thousand and \$754 thousand for the years ended December 31, 2011 and 2010, respectively.

- e. Information about financial risks

1) Market risk

The financial instruments categorized as financial assets at fair value through profit or loss are mainly mutual funds. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, the Group would assess the risk before investing; therefore, no material market risks are anticipated.

2) Credit risk

The Group is exposed to credit risk in the event of non-performance of the counterparties to forward contracts on maturity. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counterparty defaults are anticipated.

3) Liquidity risk

The financial instruments categorized as financial assets measured at fair value through profit or loss are publicly traded and easily converted to cash. Therefore, no material liquidity risks are anticipated.

## 22. OTHERS

Significant financial assets and liabilities in foreign currency are summarized as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

|                              | December 31        |               |                    |                    |               |                    |
|------------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
|                              | 2011               |               |                    | 2010               |               |                    |
|                              | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u>      |                    |               |                    |                    |               |                    |
| Monetary item                |                    |               |                    |                    |               |                    |
| RMB                          | \$1,134,878        | 4.8049        | \$5,452,939        | \$ 110,445         | 4.4205        | \$ 488,223         |
| U.S. dollars                 | 4,691              | 30.275        | 142,014            | 8,224              | 29.13         | 239,560            |
| Japan Yen                    | 238,980            | 0.3906        | 93,346             | 425,512            | 0.3582        | 152,418            |
| Philippine pesos             | 2,960              | 0.7078        | 2,095              | 2,960              | 0.6831        | 2,022              |
| Long-term equity investments |                    |               |                    |                    |               |                    |
| U.S. dollars                 | 304,813            | 30.275        | 9,228,219          | 506,194            | 29.13         | 14,745,442         |
| <u>Financial liabilities</u> |                    |               |                    |                    |               |                    |
| Monetary item                |                    |               |                    |                    |               |                    |
| U.S. dollars                 | 26,697             | 30.275        | 808,247            | 5                  | 29.13         | 147                |
| Japan Yen                    | 29,158             | 0.3906        | 11,389             | 2,646              | 0.3582        | 948                |
| Philippine pesos             | 426                | 0.7078        | 302                | 426                | 0.6831        | 291                |

## 23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

- Financing provided: None
- Endorsement/guarantee provided: None
- Marketable securities held: Table 1 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None



- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)
- j. Intercompany relationships and significant transactions: Table 6 (attached)
- k. Derivative financial transactions: None
- l. Investment in Mainland China
  - 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 7 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
    - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
    - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
    - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
    - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

## 24. OPERATING SEGMENTS INFORMATION

According to SFAS No. 41, "Operating Segments", the reportable segments of the Group are vehicle segment, parts segment, investment segment and other segment.

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues, results, and assets

| Item                            | Year Ended December 31, 2011 |               |                    |               |               |              | Unappropriated Amounts | Total |
|---------------------------------|------------------------------|---------------|--------------------|---------------|---------------|--------------|------------------------|-------|
|                                 | Vehicle Segment              | Parts Segment | Investment Segment | Other Segment | Adjustment    |              |                        |       |
| Revenue from external customers | \$ 28,581,276                | \$ 3,467,396  | \$ 2,157,654       | \$ 66,679     | \$(2,157,654) | \$ -         | \$32,115,351           |       |
| Segment income                  | \$ 764,300                   | \$ 646,831    | \$ 2,108,022       | \$1,078,754   | \$ -          | \$ -         | \$ 4,597,907           |       |
| Segment assets                  | \$ 1,429,851                 | \$ 2,727      | \$ 9,310,797       | \$ 31,630     | \$ -          | \$13,880,649 | \$24,655,654           |       |
| Revenue from external customers | \$24,217,899                 | \$ 3,167,239  | \$ 2,775,483       | \$ 70,558     | \$(2,775,483) | \$ -         | \$27,455,696           |       |
| Segment income                  | \$ 245,240                   | \$ 620,000    | \$ 2,713,559       | \$(234,552)   | \$ -          | \$ -         | \$ 3,344,247           |       |
| Segment assets                  | \$ 1,427,894                 | \$ 866        | \$14,876,477       | \$ 33,848     | \$ -          | \$ 4,413,316 | \$ 20,752,401          |       |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended December 31, 2011 and 2010.

b. Revenue by major products and services

The Group's revenue was categorized by major products and services as follows:

|         | Year Ended December 31 |               |
|---------|------------------------|---------------|
|         | 2011                   | 2010          |
| Vehicle | \$ 28,581,276          | \$ 24,217,899 |
| Parts   | 3,467,396              | 3,167,239     |
| Others  | 66,679                 | 70,558        |
|         | \$ 32,115,351          | \$ 27,455,696 |

c. Geographical information

The Group's revenue from external customers categorized by geographical location was as follows:

|          | Year Ended December 31 |               |
|----------|------------------------|---------------|
|          | 2011                   | 2010          |
| Domestic | \$ 31,671,846          | \$ 27,013,123 |
| Foreign  | 443,505                | 442,573       |
|          | \$ 32,115,351          | \$ 27,455,696 |

The Group's non-current assets categorized by geographical location were as follows:

|          | <b>December 31</b>  |                     |
|----------|---------------------|---------------------|
|          | <b>2011</b>         | <b>2010</b>         |
| Domestic | \$ 1,496,789        | \$ 1,484,187        |
| Foreign  | <u>57</u>           | <u>54</u>           |
|          | <u>\$ 1,496,846</u> | <u>\$ 1,484,241</u> |

d. Information about major customers

Sales revenue from major customers was as follows:

|                             | <b>Year Ended December 31</b> |                      |
|-----------------------------|-------------------------------|----------------------|
|                             | <b>2011</b>                   | <b>2010</b>          |
| Customer of vehicle segment | <u>\$ 28,208,372</u>          | <u>\$ 24,031,493</u> |

No revenue from any individual customer exceeded 10% of the Group's revenue for the years ended December 31, 2011 and 2010.

## 25. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Chao Yen Liang, Vice Manager of Finance. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

| <b>Contents of Plan</b>                                      | <b>Responsible Department</b>     | <b>Status of Execution</b> |
|--|-----------------------------------|----------------------------|
| Assessment stage (from August 1, 2009 to December 31, 2011): |                                   |                            |
| 1) Establish IFRS conversion project team                    | Accounting, IT and internal audit | Completed                  |

|  |                                   |           |
|--|-----------------------------------|-----------|
| 2) Develop IFRS conversion roadmap and timetable   | Accounting                        | Completed |
| 3) Complete identification of consolidated entity under IFRS   | Accounting                        | Completed |
| 4) Complete the identification of the major differences between the existing generally accepted accounting standards in Taiwan, Republic of China and IFRS | Accounting                        | Completed |
| 5) Complete the analysis of modifications needed in the IT systems and structure   | Accounting and IT                 | Completed |
| 6) Complete the analysis of IFRS 1, First-time Adoption of International Financial Reporting Standards.  | Accounting                        | Completed |
| 7) Complete the analysis of modification needed in internal controls   | Accounting, IT and internal audit | Completed |

Preparation stage (from January 1, 2011 to December 31, 2011):

|  |            |           |
|--|------------|-----------|
| 1) Determine the Company's IFRSs accounting policy   | Accounting | Completed |
| 2) Determine the exemptions allowed under IFRS 1, First-time Adoption of International Financial Reporting Standards | Accounting | Completed |

Implementation stage (from January 1, 2012 to December 31, 2012):

|  |                                   |             |
|--|-----------------------------------|-------------|
| 1) Complete the establishment of related internal controls (including financial reporting process and modification of IT system) | Accounting, IT and internal audit | On schedule |
| 2) Complete the Company's opening IFRS financial statement   | Accounting                        | On schedule |
| 3) Complete the establishment of comparative financial information for 2012 under IFRSs  | Accounting                        | On schedule |

(Concluded)

- b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

| <b>Accounting Issues</b>         | <b>Description of Differences</b>   |
|----------------------------------|---|
| Actuarial gains and losses       | Under ROC GAAP, an entity's actuarial gains and losses are amortized over the employees' average remaining service period to the income statement under corridor approach; after converting to IFRSs, actuarial gains and losses should be recognized immediately in other comprehensive income and in retained earnings, and cannot be reclassified to the income statement in future period.  |
| Minimum pension liability        | Under ROC GAAP, the minimum pension liability is compared with the minimum benefit obligation payable shown on the balance sheet. If the minimum benefit obligation payable is less than the minimum pension liability, all underfunded pension plans are aggregated and reported as current liability, non-current liability, or both; after converting to IFRSs, the net liability for an underfunded pension plan is reported in full as a pension liability on the balance sheet. |
| Classification of deferred taxes | Under ROC GAAP, classification as current and noncurrent is based on the classification of the underlying asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent on the basis of expected length of time before it is realized or settled. After converting to IFRS, the classification of deferred income tax is always noncurrent.           |
| Customer loyalty programs        | Under ROC GAAP, non-cash gifts (e.g., free service coupon) given by a seller to customers as part of sales transaction are recognized as expense or cost at the date of the transaction. After converting to IFRSs, the total value of the product which includes the value of the main product and the non-cash gifts is recognized as sales revenue at the date of the transaction, and the cost of the non-cash gifts will be recognized as revenue at the time of fulfilment.     |
|                                  | (Concluded)   |

- c. The Company has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 1

| Investor                         | Securities Type and Name                                     | Relationship with the Investor                        | Financial Statement Account                           | December 31, 2011  |                        |                         | Note       |
|----------------------------------|--|---|---|--------------------|------------------------|-------------------------|------------|
|                                  |  |   |   | Shares (Thousands) | Carrying Value (Note1) | Percentage of Ownership |            |
| Yulon Nissan Motor Company, Ltd. | <u>Beneficiary certificates</u>                              |   |   |                    |                        |                         |            |
|                                  | Taishin 1699 Money Market Fund                               | -   | Financial assets at fair value through profit or loss | 18,546             | \$ 240,000             | -                       | \$ 241,673 |
|                                  | Taishin Ta Chong Money Market Fund                           | -   | Financial assets at fair value through profit or loss | 13,952             | 190,000                | -                       | 191,008    |
|                                  | SinoPac Asia Small and Medium Cap Fund                       | -   | Financial assets at fair value through profit or loss | 500                | 5,000                  | -                       | 4,840      |
|                                  | Prudential Financial Return Fund                             | -   | Financial assets at fair value through profit or loss | 2,690              | 40,000                 | -                       | 40,246     |
|                                  | Mirae Asset Solomon Money Market Fund                        | -   | Financial assets at fair value through profit or loss | 8,212              | 100,000                | -                       | 100,000    |
|                                  | Paradigm Pion Money Market Fund                              | -   | Financial assets at fair value through profit or loss | 3,597              | 40,000                 | -                       | 40,075     |
|                                  | KGI Victory Money Market Fund                                | -   | Financial assets at fair value through profit or loss | 4,493              | 50,000                 | -                       | 50,271     |
|                                  | KGI Tumbler Fund   | -   | Financial assets at fair value through profit or loss | 5,819              | 58,718                 | -                       | 60,146     |
|                                  | Fuh Hwa Rising Asean Fund                                    | -   | Financial assets at fair value through profit or loss | 500                | 5,000                  | -                       | 4,995      |
|                                  | TIIM Money Market Fund                                       | -   | Financial assets at fair value through profit or loss | 15,941             | 229,969                | -                       | 232,377    |
|                                  | Capital Money Market Fund                                    | -   | Financial assets at fair value through profit or loss | 3,215              | 50,000                 | -                       | 50,000     |
|                                  | Jih Sun Money Market Fund                                    | -   | Financial assets at fair value through profit or loss | 16,142             | 229,625                | -                       | 230,177    |
|                                  | Polaris De-Bao Money Market Securities Investment Trust Fund | -   | Financial assets at fair value through profit or loss | 6,951              | 80,000                 | -                       | 80,551     |
|                                  | Reliance Wealth Bond Fund                                    | -   | Financial assets at fair value through profit or loss | 7,930              | 80,000                 | -                       | 81,907     |
|                                  | Allianz Global Investors Global Bond Fund                    | -   | Financial assets at fair value through profit or loss | 2,752              | 30,000                 | -                       | 30,813     |
| FSJTC Money Market Fund          | -  | Financial assets at fair value through profit or loss | 1,285   | 220,000            | -                      | 221,018                 |            |

| Investor                             | Securities Type and Name               | Relationship with the Investor                     | Financial Statement Account                           | December 31, 2011  |                        |                         | Note         |                                 |
|--------------------------------------|--|--|---|--------------------|------------------------|-------------------------|--------------|---------------------------------|
|                                      |  |  |   | Shares (Thousands) | Carrying Value (Note1) | Percentage of Ownership |              | Market Value or Net Asset Value |
| Yulon Nissan Motor Co., Ltd.         | ING Taiwan Hong-Yang Money Market Fund | -  | Financial assets at fair value through profit or loss | 2,422              | 40,000                 | -                       | 40,030       |                                 |
|                                      | ING Taiwan Money Market Fund           | -  | Financial assets at fair value through profit or loss | 3,185              | 50,000                 | -                       | 50,117       |                                 |
|                                      | Mega Diamond Money Market Fund         | -  | Financial assets at fair value through profit or loss | 5,867              | 70,000                 | -                       | 70,785       |                                 |
|                                      | Yuanta Wan Tai Money Market Fund       | -  | Financial assets at fair value through profit or loss | 19,224             | \$ 279,978             | -                       | \$ 280,793   |                                 |
|                                      | PCA Well Pool Money Market Fund        | -  | Financial assets at fair value through profit or loss | 12,220             | 160,000                | -                       | 160,179      |                                 |
|                                      | Yi-Jan Overseas Investment Co., Ltd.   | Subsidiary   | Long-term equity investments                          | 84,987             | 19,069,822             | 100.00                  | 19,069,822   | Note 2                          |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc.                         | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. | Long-term equity investments                          | 71,772             | US\$ 629,637           | 100.00                  | US\$ 629,637 | Note 2                          |
|                                      | Yi Hsing Corporation                   | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. | Long-term equity investments                          | 1,100              | US\$ 202               | 100.00                  | US\$ 202     | Note 2                          |
| Jet Ford, Inc.                       | Share certificates                     |  |   |                    |                        |                         |              |                                 |
|                                      | Aeolus Xiangfan Automobile Co., Ltd.   | Equity-method investee of Jet Ford, Inc.           | Long-term equity investments                          | -                  | US\$ 75,948            | 16.55                   | US\$ 73,519  |                                 |
|                                      | Guangzhou Aeolus Automobile Co., Ltd.  | Equity-method investee of Jet Ford, Inc.           | Long-term equity investments                          | -                  | US\$ 196,823           | 40.00                   | US\$ 196,525 |                                 |
|                                      | Aeolus Automobile Co., Ltd.            | Equity-method investee of Jet Ford, Inc.           | Long-term equity investments                          | -                  | US\$ 23,103            | 25.00                   | US\$ 23,103  |                                 |
|                                      | Shenzhen Lan You Technology Co., Ltd.  | Equity-method investee of Jet Ford, Inc.           | Long-term equity investments                          | -                  | US\$ 10,536            | 45.00                   | US\$ 10,536  |                                 |
|                                      | Dong Feng Yulon Used Cars Co., Ltd.    | Equity-method investee of Jet Ford, Inc.           | Long-term equity investments                          | -                  | US\$ 1,130             | 49.00                   | US\$ 1,130   |                                 |

Note 1: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

Note 2: Eliminated.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2011

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

TABLE 2

| Company Name                    | Marketable Securities Type and Name                         | Financial Statement Account                           | Counter-party | Nature of Relations | Beginning Balance  |        | Acquisition        |           | Disposal   |            | Gain on Disposal | Ending Balance Shares (Thousands) | Amount (Note) |
|---------------------------------|---|---|---------------|---------------------|--------------------|--------|--------------------|-----------|------------|------------|------------------|-----------------------------------|---------------|
|                                 |   |   |               |                     | Shares (Thousands) | Amount | Shares (Thousands) | Amount    | Amount     | Value      |                  |                                   |               |
| Yulon Nissan Motor Company Ltd. | Beneficiary certificates                                    |   |               |                     |                    |        |                    |           |            |            |                  |                                   |               |
|                                 | Yuanta Wan Tai Money Market Fund                            | Financial assets at fair value through profit or loss | -             | -                   | -                  | \$     | 37,125             | \$540,000 | \$ 260,084 | \$ 260,022 | \$ 62            | 19,224                            | \$279,978     |
|                                 | PineBridge Global Multi - Strategy High Yield Bond Fund     | Financial assets at fair value through profit or loss | -             | 4,788               | 47,942             |        | 5,647              | 60,000    | 111,337    | 107,942    | 3,395            | -                                 | -             |
|                                 | Jih Sun Money Market Fund                                   | Financial assets at fair value through profit or loss | -             | 13,467              | 190,000            |        | 19,670             | 280,000   | 242,190    | 240,375    | 1,815            | 16,142                            | 229,625       |
|                                 | (Jih Sun Bond Fund)   |   |               |                     |                    |        |                    |           |            |            |                  |                                   |               |
|                                 | Taishin Lucky Money Market Fund                             | Financial assets at fair value through profit or loss | -             | 27,204              | 290,000            |        | 9,369              | 100,000   | 391,535    | 390,000    | 1,535            | -                                 | -             |
|                                 | Taishin 1699 Money Market Fund                              | Financial assets at fair value through profit or loss | -             | 7,758               | 100,000            |        | 10,788             | 140,000   | -          | -          | -                | 18,546                            | 240,000       |
|                                 | (IBT 1699 Bond Fund)  |   |               |                     |                    |        |                    |           |            |            |                  |                                   |               |
|                                 | Taishin Ta Chong Money Market Fund (IBT Ta-Chong Bond Fund) | Financial assets at fair value through profit or loss | -             | 2,948               | 40,000             |        | 11,004             | 150,000   | -          | -          | -                | 13,952                            | 190,000       |
|                                 | Mirae Asset Solomon Money Market Fund                       | Financial assets at fair value through profit or loss | -             | -                   | -                  |        | 8,212              | 100,000   | -          | -          | -                | 8,212                             | 100,000       |
|                                 | ING Taiwan Money Market Fund                                | Financial assets at fair value through profit or loss | -             | -                   | -                  |        | 12,748             | 200,000   | 150,099    | 150,000    | 99               | 3,185                             | 50,000        |
|                                 | PCA Well Pool Money Market                                  | Financial assets at fair value through profit or loss | -             | -                   | -                  |        | 12,220             | 160,000   | -          | -          | -                | 12,220                            | 160,000       |
|                                 | FSITC Money Market Fund                                     | Financial assets at fair value through profit or loss | -             | 234                 | 40,000             |        | 1,051              | 180,000   | -          | -          | -                | 1,285                             | 220,000       |
|                                 | (FSITC Bond Fund)   |   |               |                     |                    |        |                    |           |            |            |                  |                                   |               |
|                                 | FSITC Global High Yield Bond Fund                           | Financial assets at fair value through profit or loss | -             | 4,432               | 50,038             |        | 7,436              | 90,000    | 144,378    | 140,038    | 4,340            | -                                 | -             |
|                                 | Fuh Hua Money Market Fund (Fuh-Hwa Global Bond Fund)        | Financial assets at fair value through profit or loss | -             | 24,593              | 340,000            |        | -                  | -         | 342,200    | 340,000    | 2,200            | -                                 | -             |
|                                 | Hua Nan Phoenix Money Market Fund                           | Financial assets at fair value through profit or loss | -             | -                   | -                  |        | 39,005             | 610,000   | 611,140    | 610,000    | 1,140            | -                                 | -             |



| Company Name | Marketable Securities Type and Name | Financial Statement Account                           | Counter-party | Nature of Relations | Beginning Balance  |           | Acquisition        |           | Disposal           |            |                | Ending Balance   |                    |               |
|--------------|-------------------------------------|---|---------------|---------------------|--------------------|-----------|--------------------|-----------|--------------------|------------|----------------|------------------|--------------------|---------------|
|              |                                     |   |               |                     | Shares (Thousands) | Amount    | Shares (Thousands) | Amount    | Shares (Thousands) | Amount     | Carrying Value | Gain on Disposal | Shares (Thousands) | Amount (Note) |
|              | Capital Money Market Fund           | Financial assets at fair value through profit or loss | -             | -                   | 5,827              | \$ 89,954 | 5,791              | \$ 90,000 | 8,403              | \$ 130,268 | \$ 129,954     | \$ 314           | 3,215              | \$ 50,000     |
|              | (Capital Income Fund)               |   |               |                     |                    |           |                    |           |                    |            |                |                  |                    |               |
|              | Union Money Market Fund             | Financial assets at fair value through profit or loss | -             | -                   | 10,306             | 130,000   | 15,796             | 200,000   | 26,102             | 332,314    | 330,000        | 2,314            | -                  | -             |
|              | (Union Bond Fund)                   |   |               |                     |                    |           |                    |           |                    |            |                |                  |                    |               |
|              | Hua Nan Kirin Money Market Fund     | Financial assets at fair value through profit or loss | -             | -                   | 6,956              | 80,017    | 5,210              | 60,000    | 12,166             | 140,499    | 140,017        | 482              | -                  | -             |

Note: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

## YULON NISSAN 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

YEAR ENDED DECEMBER 31, 2011

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

TABLE 3

| Company Name                    | Related Party                 | Nature of Relationship                          | Transaction Details |               |            | Abnormal Transaction (Note 1)                                     |            | Note/Accounts Payable or Receivable (Note 2) |                | Note |            |
|---------------------------------|-------------------------------|---|---------------------|---------------|------------|---|------------|--|----------------|------|------------|
|                                 |                               |   | Purchase/Sale       | Amount        | % to Total | Payment Terms   | Unit Price | Payment Terms                                | Ending Balance |      | % to Total |
| Yulon Nissan Motor Company Ltd. | Yulon Motor Co., Ltd.         | Equity-method investor of the Company           | Purchase            | \$ 26,193,323 | 99         | 180 days after sales for parts<br>3 days after sales for vehicles | \$ -       | -  | \$ (1,066,570) | 80   | -          |
|                                 | Taiwan Acceptance Corporation | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 28,208,372    | 88         | 4 days after sales for parts<br>3 days after sales for vehicles   | -          | -  | 155,741        | 32   | -          |
|                                 | Yuan Lon Motor Co., Ltd.      | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 343,044       | 1          | 15 days after sales for parts<br>Immediate payment for vehicles   | -          | -  | 9,326          | 2    | -          |
|                                 | Chi Ho Corporation            | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 327,618       | 1          | 15 days after sales for parts<br>90 days after sales for vehicles | -          | -  | 46,863         | 10   | -          |
|                                 | Yu Chang Motor Co., Ltd.      | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 323,246       | 1          | 15 days after sales for parts                                     | -          | -  | 7,182          | 1    | -          |
|                                 | Yu Sing Motor Co., Ltd.       | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 283,632       | 1          | 15 days after sales for parts<br>Immediate payment for vehicles   | -          | -  | -              | -    | -          |
|                                 | Empower Motor Co., Ltd.       | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 278,924       | 1          | Same as above   | -          | -  | 68,300         | 14   | -          |
|                                 | Yushin Motor Co., Ltd.        | Subsidiary of Yulon Motor Co., Ltd.             | Sale                | 217,673       | 1          | Same as above   | -          | -  | 3,659          | 1    | -          |
|                                 | Chen Long Motor Co., Ltd.     | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 217,136       | 1          | 15 days after sales for parts                                     | -          | -  | 2,859          | 1    | -          |
|                                 | Hui-Lian Motor Co., Ltd.      | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 214,065       | 1          | Same as above   | -          | -  | -              | -    | -          |
|                                 | Yu Tang Motor Co., Ltd.       | Equity-method investee of Yulon Motor Co., Ltd. | Sale                | 211,013       | -          | Same as above   | -          | -  | 383            | -    | -          |
|                                 | Nissan Motor Egypt S.A.E.     | Subsidiary of Nissan                            | Sale                | 154,768       | -          | 30 days after sales for parts                                     | -          | -  | 34,795         | 7    | -          |

Note 1: Transaction terms are based on agreements.

Note 2: Balances shown here are notes and accounts receivable from sales and notes and accounts payable for purchases.

Note 3: The total purchases or sales were based on the amounts in the Company's books.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 4

| Company Name                     | Related Party                 | Nature of Relationship | Ending Balance | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|----------------------------------|-------------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                                  |                               |                        |                |               | Amount  | Action Taken |                                       |                         |
| Yulon Nissan Motor Company, Ltd. | Taiwan Acceptance Corporation | Subsidiary of Yulon    | \$ 168,888     | 191.47        | \$ -    | -            | \$ 168,888                            | \$ -                    |

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

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

TABLE 5

| Investor Company                     | Investee Company                       | Location                              | Main Businesses and Products   | Investment Amount            |                              | Balance as of December 31, 2011 |                         | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note 1) | Note           |
|--------------------------------------|--|---------------------------------------|--|------------------------------|------------------------------|---------------------------------|-------------------------|-----------------------------------|---------------------------------|----------------|
|                                      |  |                                       |  | December 31, 2011            | December 31, 2010            | Shares (Thousands)              | Percentage of Ownership |                                   |                                 |                |
| Yulon Nissan Motor Company, Ltd.     | Yi-Jan Overseas Investment Co., Ltd.   | Cayman Islands                        | Investment   | \$ 1,847,983<br>(US\$57,371) | \$ 1,847,983<br>(US\$57,371) | 84,987                          | 100.00                  | \$ 19,069,822                     | \$ 3,420,248                    | Note3          |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc.<br>Yi Hsing Corporation | British Virgin Islands<br>Philippines | Investment<br>Inquire parts sales prices and commission-based business                                     | US\$ 57,171<br>US\$ 200      | US\$ 57,171<br>US\$ 200      | 71,772<br>1,100                 | 100.00<br>100.00        | US\$629,637<br>US\$ 202           | US\$116,378                     | Note3<br>Note3 |
| Jet Ford, Inc.                       | Aeolus Xiangfan Automobile Co., Ltd.   | Hubei (Mainland China)                | Developing and manufacturing of parts and vehicles and related services                                    | US\$ 21,700                  | US\$ 21,700                  | -                               | 16.55                   | US\$75,948                        | US\$ 7,375                      |                |
|                                      | Guangzhou Aeolus Automobile Co., Ltd.  | Guangdong (Mainland China)            | Developing and manufacturing of parts and vehicles and related services                                    | US\$ 16,941                  | US\$ 16,941                  | -                               | 40.00                   | US\$196,823                       | US\$133,768                     |                |
|                                      | Aeolus Automobile Co., Ltd.            | Guangdong (Mainland China)            | Developing and selling of parts and vehicles and related services  | US\$ 10,890                  | US\$ 10,890                  | -                               | 25.00                   | US\$23,103                        | US\$ 50,944                     |                |
|                                      | Dong Feng Yulon Motors Sales Co., Ltd. | Hubei (Mainland China)                | Selling of parts, repair and maintenance of vehicles, and related services                                 | -                            | US\$ 5,922                   | -                               | -                       | -                                 | US\$ (713)                      | Note2          |
|                                      | Shenzhen Lan You Technology Co., Ltd.  | Guangdong (Mainland China)            | Developing, manufacturing and selling of computer software and hardware and computer technology consulting | US\$ 1,125                   | US\$ 1,125                   | -                               | 45.00                   | US\$10,536                        | US\$ 3,266                      |                |
|                                      | Dong Feng Yulon Used Cars Co., Ltd.    | Guangdong (Mainland China)            | Valuation, purchase, renovation, rent and selling of used cars   | US\$ 593                     | US\$ 593                     | -                               | 49.00                   | US\$ 1,130                        | US\$ 272                        |                |

Note 1: Investment gains (losses) include the amortization of investment premium or discount.

Note 2: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. this year.

Note 3: Eliminated.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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

TABLE 6

| Year | Number<br>(Note 1) | Company Name                     | Related Party                    | Nature of<br>Relationship<br>(Note 2) | Transaction Details                             |                    |                              | % to<br>Consolidated<br>Total Sales or<br>Assets (Note 5) |
|------|--------------------|----------------------------------|----------------------------------|---------------------------------------|---|--------------------|------------------------------|---|
|      |                    |                                  |                                  |                                       | Financial Statement Account                     | Amount<br>(Note 3) | Payment<br>Terms<br>(Note 4) |   |
| 2011 | 0                  | Yulon Nissan Motor Company, Ltd. | Jet Ford Inc.                    | 1                                     | Notes and accounts receivable - related parties | \$ 26,984          | -                            | -   |
|      |                    |                                  | Yi Hsing Corporation             | 1                                     | Notes and accounts payable - related parties    | 313                | -                            | -   |
|      | 1                  | Jet Ford Inc.                    | Yulon Nissan Motor Company, Ltd. | 2                                     | Notes and accounts payable - related parties    | 26,984             | -                            | -   |
|      | 2                  | Yi Hsing Corporation             | Yulon Nissan Motor Company, Ltd. | 2                                     | Notes and accounts receivable - related parties | 313                | -                            | -   |
| 2010 | 0                  | Yulon Nissan Motor Company, Ltd. | Jet Ford Inc.                    | 1                                     | Notes and accounts receivable - related parties | 3,299              | -                            | -   |
|      |                    |                                  | Yi Hsing Corporation             | 1                                     | Notes and accounts payable - related parties    | 302                | -                            | -   |
|      |                    |                                  |                                  |                                       | Commission expenses                             | 543                | -                            | -   |
|      | 1                  | Jet Ford Inc.                    | Yulon Nissan Motor Company, Ltd. | 2                                     | Notes and accounts payable - related parties    | 3,299              | -                            | -   |
|      | 2                  | Yi Hsing Corporation             | Yulon Nissan Motor Company, Ltd. | 2                                     | Notes and accounts receivable - related parties | 302                | -                            | -   |
|      |                    |                                  |                                  |                                       | Commission revenue                              | 543                | -                            | -   |

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

1. The Company to subsidiaries is numbered as 1.
2. Subsidiaries to the Company is numbered as 2.
3. Subsidiaries to subsidiaries is numbered as 3.

Note 3: Eliminated.

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

TABLE 7

| Investee  | Main Businesses and Products   | Total Amount of Paid-in Capital | Investment Type (e.g., Direct or Indirect) | Accumulated Outflow of Investment from Taiwan as of January 1, 2011 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2011 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of December 31, 2011 | Accumulated Inward Remittance of Earnings as of December 31, 2011 |
|---|--|---------------------------------|--|---|------------------|--------|---|--|---------------------------------|--|---|
|   |  |                                 |  |   | Outflow          | Inflow |   |  |                                 |  |   |
| Aeolus Xiangfan Automobile Co., Ltd.            | Developing and manufacturing of parts and vehicles and related services                                    | \$ 3,581,037 (RMB 826,000)      | Note 1                                     | \$ 716,856 (US\$ 21,700)  | \$ -             | \$ -   | \$ 716,856 (US\$ 21,700)  | 16.55%                                       | \$ 216,772 (US\$ 7,375)         | \$ 2,299,325 (US\$ 75,948)             | \$ -  |
| Guangzhou Aeolus Automobile Co., Ltd.           | Developing and manufacturing of parts and vehicles and related services                                    | 8,969,950 (RMB 2,200,000)       | Note 1                                     | 537,199 (US\$ 16,941)   | -                | -      | 537,199 (US\$ 16,941)   | 40.00%                                       | 1,529,718 (US\$ 52,047)         | 5,958,828 (US\$ 196,823)               | 1,269,572 (US\$ 39,777)   |
| Aeolus Automobile Co., Ltd.                     | Developing and selling of parts and vehicles and related services  | 663,931 (RMB 173,350)           | Note 1                                     | 345,322 (US\$ 10,890)   | -                | -      | 345,322 (US\$ 10,890)   | 25.00%                                       | 374,324 (US\$ 12,736)           | 699,457 (US\$ 23,103)                  | -   |
| Dong Feng Yulon Motors Sales Co., Ltd. (Note 4) | Selling of parts, repair and maintenance of vehicles, and related services                                 | 383,000 (RMB 100,000)           | Note 1                                     | 187,787 (US\$ 5,922)  | -                | -      | 187,787 (US\$ 5,922)  | -  | (10,265) (US\$ -349)            | -                                      | -   |
| Shenzhen Lan You Technology Co., Ltd.           | Developing, manufacturing and selling of computer software and hardware and computer technology consulting | 57,450 (RMB 15,000)             | Note 1                                     | 35,674 (US\$ 1,125)   | -                | -      | 35,674 (US\$ 1,125)   | 45.00%                                       | 43,193 (US\$ 1,470)             | 318,985 (US\$ 10,536)                  | -   |
| Dong Feng Yulon Used Cars Co., Ltd.             | Valuation, purchase, renovation, and selling of used cars.   | 38,300 (RMB 10,000)             | Note 1                                     | 18,804 (US\$ 593)   | -                | -      | 18,804 (US\$ 593)   | 49.00%                                       | 3,912 (US\$ 133)                | 34,202 (US\$ 1,130)                    | -   |

| Accumulated Investment in Mainland China as of December 31, 2011 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3) |
|--|--|--|
| \$1,841,642 (US\$57,171)   | \$1,917,100 (US\$59,660)                                     | \$11,738,090   |

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

Note 2: Investment gains (losses) recognized were calculated from the audited financial statements.

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

Note 4: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. this year.

**6. The company and its affiliates have not encountered any financial difficulties over the last years and as of the the publication date of the annual report:**

No applicable. This company and its affiliates have not encountered any financial difficulties.



## VII · Review and Analysis of Financial Conditions and Operation Performance and Risk Management

### 1. Financial Conditions

Unit : In NTD thousand

| Item   | Fiscal Year      |                  | Difference |      |
|--|------------------|------------------|------------|------|
|  | Fiscal year 2011 | Fiscal year 2010 | Amount     | %    |
| Current Assets                                 | \$ 4,089,045     | \$ 3,864,447     | 224,598    | 6    |
| Long-Term Equity Investments                   | 19,069,822       | 15,402,999       | 3,666,823  | 24   |
| Fixed Assets                                   | 37,166           | 40,840           | ( 3,674)   | ( 9) |
| Other Assets                                   | 1,459,623        | 1,443,347        | 16,276     | 1    |
| Total Assets                                   | 24,655,656       | 20,751,633       | 3,904,023  | 19   |
| Current Liabilities                            | 2,698,572        | 1,842,717        | 855,855    | 46   |
| Other Liabilities                              | 2,393,600        | 1,743,572        | 650,028    | 37   |
| Total Liabilities                              | 5,092,172        | 3,586,289        | 1,505,883  | 42   |
| Share Capital                                  | 3,000,000        | 3,000,000        | 0          | 0    |
| Capital Reserves                               | 5,988,968        | 5,988,968        | 0          | 0    |
| Retained Earnings                              | 10,110,362       | 7,958,797        | 2,151,565  | 27   |
| other adjustment items<br>shareholders' equity | 464,154          | 217,579          | 246,575    | 113  |
| Total share holder equity                      | 19,563,484       | 17,165,344       | 2,398,140  | 14   |

Variance Analysis (For those with percentage of difference up to more than 20%, and with the amount up to NTD 10 million in the recent two fiscal years)

- (1) The increased of Long-Term Equity Investments was mainly due to the increase in 2011 Mainland China investment revenue
- (2) Increase in current liabilities is caused by the increase in account payables for purchasing new car model tooling, advertising and promotional fees.
- (3) Increase in other liabilities is caused by the increase in deferred income tax arising from investment income recognized under equity method in 2011.
- (4) Increase in total liabilities is caused by the increase in current liabilities and other liabilities in 2011
- (5) Increase in retained earnings is caused by the increase in net profit after tax in 2011
- (6) The increase in other adjustment items under shareholders' equity is mainly caused by the increased accumulative translation adjustments. (The US dollar rose against the Taiwan dollars. On December 31, 2010, the exchange rate was 29.13, while it was 30.275 on the same day the following year.)

## 2. Operating Performance

### (1) Comparison and Analysis of Operating Performance

Unit : In NTD thousand

| Item                                    | Fiscal Year         |                     | Increase<br>(Decrease)<br>Amount | Changes(%) |
|---|---------------------|---------------------|----------------------------------|------------|
|   | Fiscal year<br>2011 | Fiscal year<br>2010 |                                  |            |
| Gross Revenue                           | \$ 32,124,700       | \$ 27,464,636       | 4,660,064                        | 17         |
| Less: Sales Returns<br>Sales Allowances | <u>9,349</u>        | <u>8,940</u>        | 409                              | 5          |
| Net Operating Revenue                   | 32,115,351          | 27,455,696          | 4,659,655                        | 17         |
| Operating Cost                          | <u>27,380,203</u>   | <u>23,671,057</u>   | 3,709,146                        | 16         |
| Operating margin                        | 4,735,148           | 3,784,639           | 950,509                          | 25         |
| Operating Expenses                      | <u>3,686,109</u>    | <u>3,279,330</u>    | 406,779                          | 12         |
| Operating Profit                        | 1,049,039           | 505,309             | 543,730                          | 108        |
| Non-Operating Revenue and<br>Gain       | 3,644,374           | 2,935,557           | 708,817                          | 24         |
| Non-Operating Expense and<br>Loss       | <u>95,506</u>       | <u>96,662</u>       | ( 1,156)                         | ( 1)       |
| Income Before Income Tax                | 4,597,907           | 3,344,204           | 1,253,703                        | 37         |
| Income Tax Expense                      | ( <u>766,342</u> )  | ( <u>460,306</u> )  | 306,036                          | 66         |
| Net Income                              | <u>\$ 3,831,565</u> | <u>\$ 2,883,898</u> | 947,667                          | 33         |

Variance Analysis (For those with percentage of difference up to more than 20%, and with the amount up to NTD 10 million in the recent two fiscal years)

- (1) The increase in operating margin and Operating Profit is caused by the increase in the sales volume.
- (2) The increase in Non-Operating Revenue and Gain was mainly due to the increase in 2011 Mainland China investment revenue.
- (3) Increase in income before income tax is caused by the increase in the sales volume, non-operating revenue and gain in 2011.
- (4) Increase in income tax is due to the increase in deferred income tax arising from investment income recognized under equity method.
- (5) Increase in Net Income is caused by the increase in the sales volume and increase in 2011 Mainland China investment revenue.

**(2)Gross profit analysis :**

Unit : In NTD thousand

| Item         | Variance between two periods  | Difference sources       |                       |                           |                   |
|--------------|---|--------------------------|-----------------------|---------------------------|-------------------|
|              |   | Selling Price Difference | Cost Price Difference | Combined Sales Difference | Volume difference |
| Gross Profit | 950,509   | (1,547,120)              | 1,453,878             | 532,549                   | 508,396           |
| Content      | 1.Unfavorable sale prices variance occurred mainly because that the parts prices were decreased in fiscal year 2011.<br>2.Favorable cost prices variance occurred mainly by that parts' the purchase prices were decreased in 2011.<br>3.Favorable sales mix variance occurred mainly because that the sales volume of the high-gross-profit parts series was raised in fiscal year 2011.<br>4.Favorable volume difference occurred mainly because of increase in sales volume of car in 2011..<br>5. Service revenue from Nissan's outsourcing of research and design decreased NT\$ 4,451,000 in 2011.<br>6. Revenue from sale of steel flats , certificating and testing increased NT\$ 7,257,000 in 2011. |                          |                       |                           |                   |

**3. Cash Flow Analysis****(1) Cash Flow Analysis for the Rencent 2 years**

| Item  | Fiscal Year      |                  |                               |
|---|------------------|------------------|-------------------------------|
|   | Fiscal year 2011 | Fiscal year 2010 | Increase (Decrease) Ratio (%) |
| Cash Flow Ratio (%)   | 83               | 13               | 538                           |
| Cash Flow Adequacy Ratio (%)  | 105              | 54               | 94                            |
| Cash Reinvestment Ratio (%)   | 3                | 1                | 200                           |
| Difference Analysis and Description of Changes in Increase and Decrease Ratio:<br>The increase of cash flow from operations ratio, cash flow adequacy ratio and cash flow re-investment ratio is mainly caused by the increase in sales volumes of the cars and increase in net cash provided by operating activities in 2011 |                  |                  |                               |

**(2) Cash Flow Analysis for the Next Year**

Unit: In NTD thousand

| Cash balance at the beginning of the year | Expected annual net cash flow from operating activities | Expected annual net cash flow from investment and accommodation activities | Expected cash balance | Expected contingency plan for insufficient cash |                |
|---|---|--|-----------------------|---|----------------|
|   |   |  |                       | Investment plan                                 | Financial plan |
| 743,912                                   | 1,941,428   | (1,655,167)  | 1,030,173             | -   | -              |

#### 4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2011

##### (1) The Use and Capital Source of Prominent Capital Expenditure

Unit : In NTD thousand

| Program items            | Actual and estimated source of capital | Actual or estimated date of completion | Total fund needed | Actual or estimated use of capital |                  |                  |                  |                  |                  |
|--------------------------|--|--|-------------------|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                          |  |  |                   | Fiscal year 2009                   | Fiscal year 2010 | Fiscal year 2011 | Fiscal year 2012 | Fiscal year 2013 | Fiscal year 2014 |
| Model Clamp Lifting Tool | Self-owned fund                        | 2014.12.31                             | 3,866,949         | 486,465                            | 237,806          | 465,949          | 1,023,137        | 995,129          | 658,463          |
| Other equipment          | Self-owned fund                        | 2014.12.31                             | 33,367            | 23,443                             | 1,213            | 681              | 4,145            | 1,935            | 1,950            |
| MIS equipment            | Self-owned fund                        | 2014.12.31                             | 70,835            | 17,414                             | 2,701            | 3,140            | 19,380           | 16,100           | 12,100           |

##### (2) Anticipated benefits

1. Invested in new model mold, increase production line to raise market shares.
2. The investment in information system related hardware and software, updating management information system will increase the managerial efficiency and strengthen market competition capabilities.
3. Increase the degree of automation, reduce the labor costs.

#### 5. Reinvestment Policy in Fiscal Year 2011, Major Reasons for Profit and Loss, Its Improvement Plan and Next Year's Investment Plan

| Investor Company                     | Investee Company                     | Percentage of Ownership on December 31, 2011 | Investment Gain (Loss) | Cause of Gain(Loss)                                   | Improvement plan                            | Investment plan in the currently year |
|--------------------------------------|--------------------------------------|--|------------------------|---|---|---------------------------------------|
| Yulon Nissan Motor Company, Ltd.     | Yi-Jan Overseas Investment Co., Ltd. | 100  | \$ 3,420,248           | Growing Status of China Car Market                    | Nil   | Nil                                   |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc.                       | 100  | USD116,378             | Growing Status of China Car Market                    | Nil   | Nil                                   |
|                                      | Yi Hsing Corporation                 | 100  | USD                    | Relevant operating activities were terminated in 2011 | Liquidation was completed in February 2012. | Nil                                   |

|                |  |       |            |   |  |     |
|----------------|--|-------|------------|---|--|-----|
| Jet Ford, Inc. | Aeolus Xiangfan Automobile Co., Ltd.   | 16.55 | USD 7,375  | Growing Status of China Car Market  | Nil  | Nil |
|                | Guangzhou Aeolus Automobile Co., Ltd.  | 40    | USD 52,047 | Growing Status of China Car Market  |  |     |
|                | Aeolus Automobile Co., Ltd.            | 25    | USD12,736  | Growing Status of China Car Market  | Nil  | Nil |
|                | Dong Feng Yulon Motors Sales Co., Ltd. | -     | USD( 349)  | The intense competition among commercial vehicles urges enhanced promotion to maintain sales volume | Shares have been disposed of in November 2011. | Nil |
|                | Shenzhen Lan You Technology Co., Ltd.  | 45    | USD 1,470  | Growing Status of China Car Market  | Nil  | Nil |
|                | Dong Feng Yulon Used Cars Co., Ltd.    | 49    | USD 133    | Growing Status of China Car Market  | Nil  | Nil |

## 6. Risk Management and Evaluation

### (1) Influence of the interest rate, foreign exchange rate and rate of inflation on company's profit/loss and plans to encounter these risks in the future:

#### 1. Influence of interest rate fluctuation on the company's profit/loss and future coping strategies:

The market interest rate is quite low in recent years, so the affect of fluctuation on the company's profit/loss is limited.

#### 2. Influence of foreign exchange rate fluctuation on the company's profit/loss and future coping strategies

To avoid potential risks, the company has not specially manipulated the foreign exchange rate; the exchange rate difference is utilizing the sharing method agreed with Nissan.

#### 3. Influence of inflation on the company's profit/loss and future coping strategies: Nil.

### (2) Policy on High Risk, High Leverage Investment, Capital Loans to Others, Endorsement and Trade on Derivatives, Major Reason for Profit/Loss and plans to encounter these risks in the future:

#### 1. This company has not involved in High Risk, High Leverage Investment.

2. As to the Capital Loans to Others, Endorsement and Trade on Derivatives, these activities are governed by company's 'Procedure of Capital Loans to Others', 'Procedure of Endorsement' and 'Procedure of Trade on Derivatives'. There was no related activity in 2011.

### (3) Future research/development plans and estimated investing R&D expenditure:

1. Future research/development plans: Detail Operation Summary (1) Business Scope, 1, Business Scope

- (4) Development plan for new product.
- 2. Estimated investing R&D expenditure: The estimated research and development for the fiscal year 2012 is 468,382 Thousand NTD.

**(4) Important Changes of Local and Foreign Government Policies and Regulations and Their Influence Over Company's Financial Condition and Plans to Encounter these Risks in the Future:**

After entering the WTO, the company has not enjoyed the favorable tax exemption/deduction of goods since the fiscal year 2005, but the company has reduced the purchasing cost and expenses, therefore the influence on the company's profit/loss is limited.

**(5) Changes on technology and industrial change influence toward the company's finance business and coping strategies:**

The company has the best car research/development team and personnel in the country, to quickly handle the technology changes and industrial change.

**(6) Changes on Corporate Image that influence Company's Risk Management and Contingency Plans:**

The company has a good corporate reputation, and there has been no negative report in connection with the corporation.

**(7) Benefit forecast and possible risks of merge and acquisition:**

It's not applicable, because the company was not involved in any merge and acquisition.

**(8) Benefit forecast and possible risks of plant site expansion: N/A.**

**(9) Risks of having purchase or sales centralization**

- 1. Purchase: The company incoming shipment is Yulon Motor Company, Ltd., it's a listed company that has an outstanding credibility, excellent production technology and strong finance, so the company has no need of worrying about the interruption of incoming shipment.
- 2. Sales: Local market is the main selling of the company, selling cars and parts to the consumers through each location dealer. The company has an exclusive department responsible for supervising the sales development of each dealer, after a long period, the dealers' sales are pretty stable, so there is no risk of having sales centralization

**(10)The impact and the risk of having a big Volume of transferring or changes of Shareholders equity of the Directors, Supervisors or holding more than10% shares shareholders, Except for the releasing of shares : Nil.**

**(11)The impact and risk of changing operating rights of the company: Nil.**

**(12)Litigation/Non-Litigation Events:**

- 1. The company: Nil.
- 2. The proportion of shares that the owned by big shareholders like the Company's Board Members, Supervisors, General Manager, Real Owner that exceeds 10% and the belonging company: Nil.

**(13)Other Important Risks and actions to be taken: Nil.**

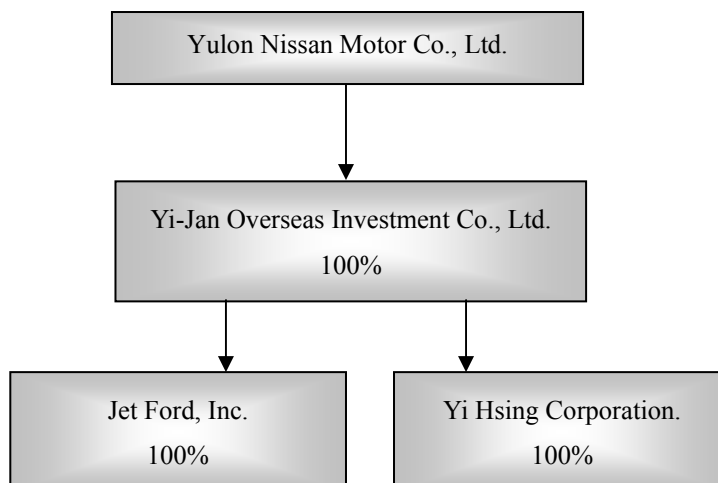
**7. Other Important Items: Nil**

## | VIII 、 Special Noted Items |

### 1. Affiliates information

#### (1) Affiliates Combined Operation Statement

##### 1. Organization Chart of Yulon Motor's Affiliated Companies



##### 2. Basic information of affiliates

Dec. 31, 2011

Unit : Thousand Dollars Foreign Currency

| Name                                 | Establishing Date | Address  | Actually accrued capital amount | Main Business Items                               |
|--------------------------------------|-------------------|--|---------------------------------|---|
| Yi-Jan Overseas Investment Co., Ltd. | 1999.11.17        | 2F,Cayside,Harbour Drive<br>P.O.Box<br>30592 S.M.B. George<br>Town Grand<br>Cayman Island B.W.I. | USD 84,987                      | Investments                                       |
| Jet Ford, Inc.                       | 1994.01.12        | P.O.Box 3151 Road Town,<br>Tortola British Virgin<br>Islands                                     | USD 71,772                      | Investments                                       |
| Yi Hsing Corporation.                | 2004.05.26        | Brgy Pulong<br>Sta Cruz,<br>Sta Rosa , 4026 Laguna ,<br>Philippines                              | PESO 11,000                     | Price Inquiry of Car Parts<br>and Broker Business |

##### 3. Shareholders representing both holding companies and subordinates: Nil

## 4. Information of the directors, supervisors, and general managers of the affiliates

Dec. 31, 2010

| Name                                 | Title  | Name or representative   | Shares                             |            |
|--------------------------------------|--|--|------------------------------------|------------|
|                                      |  |  | Shares                             | Percentage |
| Yi-Jan Overseas Investment Co., Ltd. | Director   | Yulon Nissan Motor Co., Ltd.<br>Representative: Kenneth K. T. Yen  | 84,986,756                         | 100%       |
| Jet Ford, Inc.                       | Director<br>Director<br>Director                                       | Yi-Jan Overseas Investment Co., Ltd.<br>Representative: Kenneth K. T. Yen<br>Kuo-Rong Chen<br>Wen-Rong Tsay  | 71,771,793                         | 100%       |
| Yi-Hsing Corporation.                | Director<br>(Chairman)<br>Director<br>Director<br>Director<br>Director | Yi-Jan Overseas Investment Co., Ltd.<br>Representative: Hsin-Fa Wu<br>Chin-Cheng Kuo<br>Chun-Chen<br>Chung-Chun Wang<br>Chiau-Te Chung<br>Yu-Jen Chu | 1,099,994<br>1<br>1<br>1<br>1<br>1 | 100%       |

## 5. Affiliates' Operating Results

Dec. 31, 2011

Unit : In NTD thousand

| Affiliate Code Number | Name                                 | Capital   | Total Assets | Total Liabilities | Net Value  | Operating Revenue | Operating net income | Net Income / Loss (after-tax) | Earning Per Share (NT dollar) (after-tax) |
|-----------------------|--------------------------------------|-----------|--------------|-------------------|------------|-------------------|----------------------|-------------------------------|---|
| 22270001              | Yi-Jan Overseas Investment Co., Ltd. | 2,740,770 | 19,069,822   | 0                 | 19,069,822 | 3,420,474         | 3,420,248            | 3,420,248                     | 40.24                                     |
| 22270002              | Jet Ford, Inc.                       | 2,347,251 | 19,089,238   | 26,984            | 19,062,254 | 2,157,653         | 2,157,553            | 3,420,474                     | 47.66                                     |
| 22270003              | Yi Hsing Corporation                 | 7,255     | 6,430        | 310               | 6,120      | 0                 | 0                    | 0                             | 0.00                                      |



**(2) Affiliates Combined Financial Report:****Statement**

The company and its subordinates in fiscal year 2011 (from Jan 1 2011 to December 31 2011) should, in accordance with the “Regulations of Preparing the Affiliates Combined Operation Report Combined Financial Report and Relevant Reports”, include and prepare the Affiliates Combined Financial Report of the company, and according to regulations of Communique’ No.7 of the financial Accounting Criteria, which is “Combined Financial Report”, include and prepare the mother/subordinates combined financial report of the company are the same, and the Affiliates Combined Financial Report relevant information that was exposed In the above said mother/subordinates combined financial report were already exposed, and shall not make another affiliates combined financial report.

Very truly yours

Company Name: Yulon Nissan Motor Co., Ltd.

Responsible person: Kenneth K. T. Yen

March 23, 2012

**(3) Combined report of public companies and their affiliates: Nil**

- 2. Fiscal Year 2010 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
- 3. Fiscal Year 2010 and prior to the publication date of the annual report, Acquisition or Disposal of Yulon Shares by Subsidiaries: Nil**
- 4. Other necessary supplementary notes: Nil**
- 5. Any events that had significant impacts on shareholders’ right or securities prices as stated in Section 2 Paragraph 2 in Article 36 of the Securities Transaction Law for fiscal year 2010 and prior to the publication date of the annual report: Nil**

# 主要車系 *Product Information*

## INFINITI 車系

G37 Coupe 3.7



G37 Convertible 3.7



G37 / G25 Sedan 3.7 2.5



M37 / M25 3.7 2.5



EX35 3.5



FX50 / FX35 5.0 3.5



JX35 3.5



# NISSAN 車系

370Z 3.7



GT-R 3.8



ROGUE 2.5



MURANO 3.5



TEANA 3.5 2.5 2.0



TIIDA 1.8 1.6



BLUEBIRD 2.0



LIVINA 1.8 1.6



MARCH 1.5



SERENA 2.5



## **Yulon Nissan Motor Co., Ltd.**

**Chairman   Kenneth K. T. Yen**

## **Corporate Vision**

Becoming the Benchmark Company of "Product Innovation"  
and "Service Innovation" in the Cross Strait Auto Industry

**YULON NISSAN MOTOR CO., LTD**

39-2Po Kung Keng, Shi Hu Tsuen, Yi Miao Li Hsien, Taiwan, R.O.C  
24Hour Service hot-line 0800-088-888  
<http://www.nissan.com.tw>