

**YULON NISSAN**

**YULON NISSAN MOTOR CO., LTD  
ANNUAL REPORT 2012**





INFINITI FX37



魅·力·無限

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● **Listed in overseas stock exchange:** Nil

● **Company website ate:** <http://www.nissan.com.tw>

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## I. Letter to Shareholders

Dear Shareholders,

In 2012, due to the European debt crisis, the Diaoyu Islands incident and low domestic consumer confidence, total sales volume in the auto market only reached 355,000, a decline of 3.6% compared with that in 2011. However, Yulon Nissan achieved a remarkable profit on the whole owing to the successful launch of new car models like NISSAN BIG TIIDA and INFINITI JX, along with the new high of investment income in mainland China. All our Yulon Nissan colleagues will live up to the expectations of all shareholders and make constant efforts to achieve our goal. Now I would like to thank you all for your care and support.

In 2012, with the economic slowdown and weak consumer demand, our annual economic growth rate stood at only 1.3% as our country economy is mainly export oriented. But our company managed to increase sales and promote customer satisfaction through flexible marketing strategies and whole-hearted services, such as the successful launch of new NISSAN BIG TIIDA. Moreover, we have not only initiated the online booking service for “Test Drive at home”, but also introduced the luxury INFINITI JX and IREDI (Infiniti Retail Environment Design Initiative). As a result, we’ve held a leading position in Taiwan’s competitive market and had the honor to win a first prize among the Homemade Cars of the J.D.POWER CSI survey.

Yulon Nissan has always been improving and innovating on its products and services. With regard to new products, NISSAN plans to introduce the NISSAN JUKE series, a market hit in the European and American markets in Q3 2013, and will launch NISSAN NEW SENTRA in the Q4 2013, which not only boasts comfortable space as in large limos but also outperforms other cars of the same segment in terms of energy conservation. Besides, in Q4, the INFINITI brand will initially bring in Q50 Hybrid, a brand new petrol-electric hybrid car model that meets the needs of customers’ energy-saving demands and driving pleasure. When it comes to innovative services, Yulon Nissan will continue to improve its service quality and further promote customers’ satisfaction through projects, like the service process that can resolve customers’ problems quickly, service facilities upgrading and customer relationship management.

In 2012, auto sales volume in mainland China stood at 19.306 million, an increase of 4.3% from 2011. As to Dongfeng Nissan passenger vehicles, sales volume in 2012 was only 773,000 due to the boycott of Japanese brands resulting from the Diaoyu Islands incident. But

as the impact becomes weaker, it is anticipated that sales volume of Dongfeng Nissan in 2013 will exceed 900,000, a rise of over 16% compared with 2012.

Yulon Nissan's auto parts have been exported to many countries including Thailand, Malaysia, the Philippines, China, South Korea, Japan, Egypt, Indonesia and Vietnam. In 2012, Yulon earned NT\$ 412 million from auto parts export and will continue to expand overseas markets and export-related projects so as to boost its revenue in 2013.

Benefiting from the launch of new cars and the income from investment in mainland China, Yulon Nissan's pre-tax profits was NT\$ 6091 million in 2012, an annual growth of 32.5%, with after-tax earnings per share of NT\$ 16.43.

Looking forward, Yulon Nissan will continuously enhance its revenue and profits by means of new products, new services and brand value growth, with the support of all the shareholders and the efforts of all our colleagues. Yulon Nissan is confident to overcome the adversities in the market and make constant achievements to create maximum profits for our 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!
Jan. 2011:	INFINITI sponsored Cirque du Soleil’s performance in Taiwan, and initiated “Little Sun – Dreams Come True Program.”
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.
Sep. 2011:	NISSAN was awarded the ninth “Excellent Service Award” by Global Views Magazine

### 3. 2012 Operation Results:

Jan. 2012:	Debut of FX35 12MY
Feb. 2012:	Smart EV operation and charging stations were started in Taichung. NISSAN LEAF’s “zero emission” was implemented.
Mar. 2012:	NISSAN ALL NEW TEANA was launched.
Apr. 2012:	2012 NISSAN Moving Gallery – Experience future life with EV
May 2012:	Popularity among high-end customers was enhanced through INFINITI Breeze Night activities
Jun. 2012:	NISSAN invited you to join us in supporting physically and mentally handicapped people in the “Honey, Let’s bake with love” activity.
Jun. 2012:	INFINITI owners’ golf event was kicked off.
Jul. 2012:	NISSAN spent about NT\$ one hundred million in making show rooms with its world-leading sales service characterized by “Profession”, “Trust” and “Kindness”.
Jul. 2012:	The brand new 7-seat INFINITI JX series were launched.
Aug. 2012:	NISSAN TIIDA was awarded the title of “Environment-friendly Car of the Year” by Environmental Protection Bureau.
Aug. 2012:	When Taiwan was attacked by Typhoon Saola, NISSAN provided free towing service and maintenance discount solutions for water-soaked cars in heavy rain.
Sept. 2012:	A limited number of MARCH special edition was launched.
Sept. 2012:	The public welfare activity “Hand-in-hand Film-watching” was held on Yulon Nissan’s Love & Care Day.
Nov. 2012:	The 2014 edition of NISSAN GT-R made an amazing debut on PenBay International Circuit.
Dec. 2012:	NISSAN BIG TIIDA hatchbacks and turbocharged cars was launched.
Dec. 2012:	A grand opening ceremony was held for INFINITI Taiwan’s first IREDI flagship store in Taoyuan.

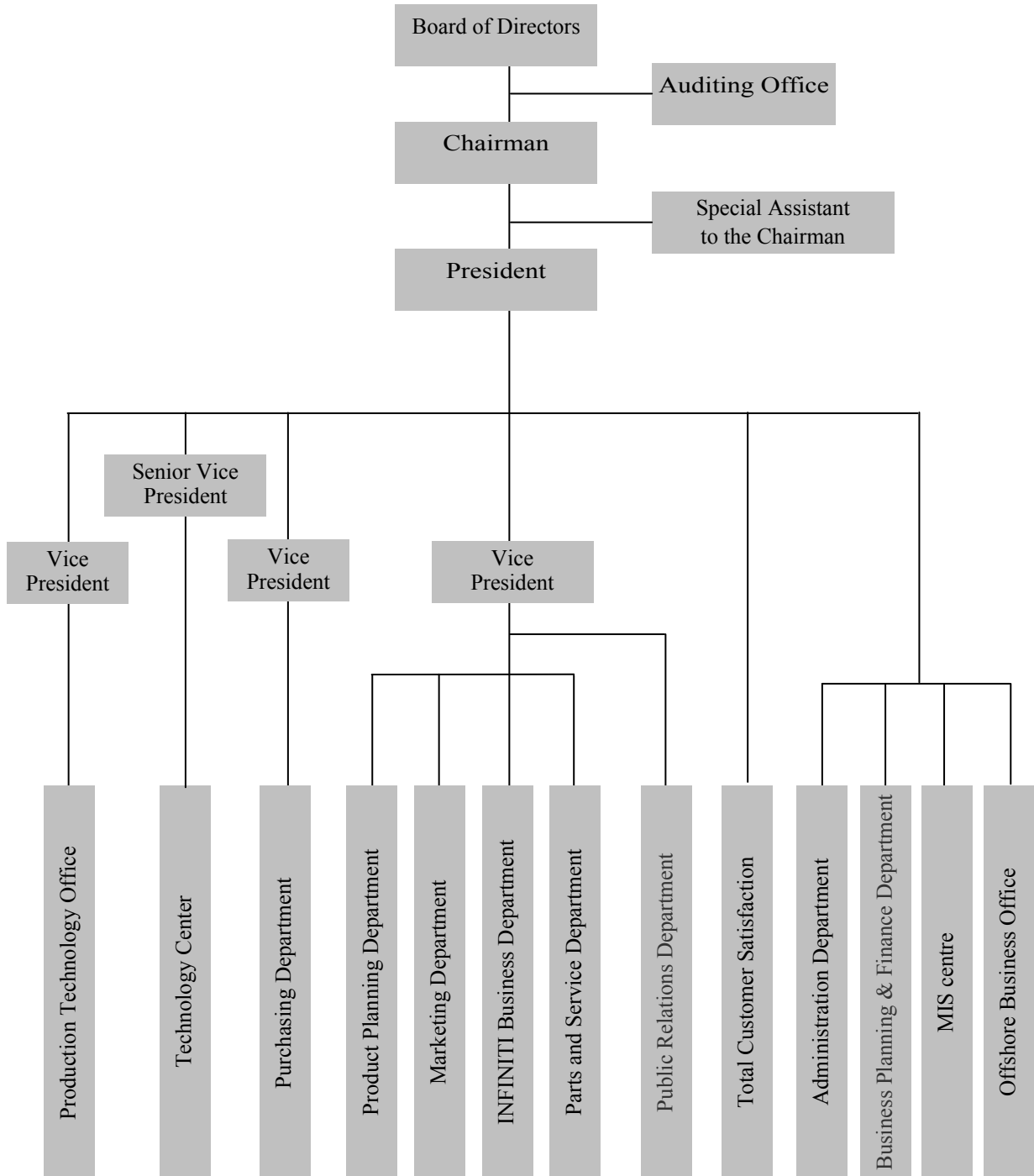
### 4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2012 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 2012 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 2012 and until the Annual Report published date: 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. Representative: Kenneth K. T. Yen	2012.7.1	3	2003.10.01	180,000,000 *	60.00 *0.00	143,500,000 *	47.83 *0.00



April 30, 2013

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	Chairman, Yulon Motor Co., Ltd. Chairman, China Motor Corporation. Chairman, Taiwan Acceptance Corporation Director, Altek (Kunshan) Co., Ltd. Chairman, Carnival Industrial Corporation Chairman, Altek Corporation Chairman, Tai-Yuen Textile Co., Ltd. Chairman Luxgen Motors Co., Ltd. Director, South East [Fujian] Motor Co., Ltd. Chairman, Fortune Motors Co., Ltd. Chairman, Hwa-chuang Auto Information Technology Center Co., Ltd. Chairman, ROC Spicer Ltd. Director, China Engine Corporation. Chairman, Yen Tjing Ling Industrial Research Institute Chairman, Wu Shunwen News Prize Foundation Chairman, Wu Shunwen Business Foundation	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. Representative: Kuo-Rong Chen	2012.7.1	3	2003.10.01	180,000,000 * 0	60.00 *0.00	143,500,00 * 18,000	47.83 *0.01
Director	Yulon Motor Co., Ltd. Representative: Wen -Rong Tsay	2012.7.1	3	2011.3.21	143,500,000 * 0	47.83 *0.00	143,500,000 * 0	47.83 *0.00

April 30, 2013

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 & Director , Yulon Motor Co., Ltd. Director, China Motor Co., Ltd. Special Assistant to the Chairman, Yulon Nissan Motor Co., Ltd. Director, Taiwan Acceptance Corporation Supervisor of Altek Corporation Director, Tai-Yuen Textile Co., Ltd. Senior Vice Chairman, Lexgen Motors Co., Ltd. Chairman , Yulon Tobe Co., Ltd. Director, Dongfeng-Yulon Motor Co Director, Hua-chuang Automobile Information Technical Center Co., Ltd. Director, Tokio Marine Nawa Insurance Co., Ltd. Chairman, Yulon Energy Technology Co., Ltd. Chairman, Yu Shin Motor Co., Ltd. Chairman, Yushin Motor Co., Ltd. Vice Chairman, Aeolus Automobile Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Co., Ltd. Chairman, Yulon (China) Motor Investment Limited	Nil	Nil	Nil
0	0.00	0	0.00	Master of High Level Management, Chiao Tung University	President , Yulon Nissan Motor Co., Ltd. Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Dong Feng Yulon Motors Sales Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Director, Jet Ford, Inc. Director, Taiwan Acceptance Corporation Director, Yu Shin Motor Co., Ltd. Director, Chen Long Co., Ltd. Director, Chi Ho Corporation Supervisor, CARPLUS Auto Leasing Co., Ltd. Supervisor, Tokio Marine Nawa Insurance Co., Ltd Director, Aeolus Suzhou Sales & Service Co., Ltd. Director, Shenzhen Yu Peng Sales & Service Co., Ltd. Director, Wuhan Yu Shin Auto Sales & Service Co., Ltd. Director, Nanjing Hanhong Auto Trading Co., Ltd. Director, Yulon Management 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. Representative: Zhen -Xiang Yao	2013.4.1	2.25	2013.4.1	143,500,000 *	47.83 *0.00	143,500,000 *	47.83 *0.00
Director	Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi	2012.7.1	3	2011.3.21	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Director	Nissan Motor Co., Ltd. Representative: Atsushi Kubo	2012.7.1	3	2012.7.1	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Director	Nissan Motor Co., Ltd. Representative: Hatanaka Keiji	2012.7.1	3	2009.04.15	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Director	Nissan Motor Co., Ltd. Representative: Isao Morimoto	2012.7.1	3	2010.6.10	120,000,000 *	40.00 *0.00	120,000,000 *	40.00 *0.00
Independent Director	Tsung-Jen Huang	2012.7.1	3	2003.10.01	0	0.00	0	0.00

April 30, 2013

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	National Taiwan University of Science and Technology Master of International Business Management, Curtin University of Technology	Director, Yulon Motor Co., Ltd Director, Wre Tch Motor Co., Ltd Director, Lexgen Motors Co., Ltd. Director, Yulon Tobe Co., Ltd. Director, Yulon Energy Techology Co.,Ltd Director, China Engine Corporation. Director, Yulon (China) Motor Investment Limited Advance Power Machinery Co.,Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Waseda University, Commercial Science	Senior Vice President, Nissan Motor Co., Ltd. President, Nissan (China) Investment Co., Ltd. Director , Dongfeng Motor Co., Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Waseda University, FACULTY OF Political Science and Economics	GM, Nissan 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	Doctor of Computer Science, University of Wisconsin, U.S.A	Chairman, SYSTEX Corporation President, Hopax Co., Ltd. President, Yung Wei Finance Consultant Co., Ltd. (Legal Representative) Chairman, ChinPu Investment Co., Ltd. (Legal Representative) Director, Kimo.com (BVI) Corp. (Legal Representative) Director, Systex Capital Group Inc. (BVI)	Nil	Nil	Nil

Title	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
					Shares	Share Holding	Shares	Share Holding
Independent Director	Robert Mao	2012.7.1	3	2003.10.01	0	0.00	0	0.00
Supervisors	Wei Wen Investment Co., Ltd Representative: Kuan-Tao Lee	2012.7.1	3	2012.7.1	1,880,000 *	0.63 *0.00	1,878,000 *	0.63 *0.00

\* which are personal owned

April 30, 2013

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 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 Master Degree, New York University Law Graduate School, U.S.A	Chief Senior Consultant, Lee & Li Attorneys Chairman, Lee & Li Foundation Director, Yen Tjing Ling Medical Foundation Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Director, Koo Foundation Sun Yat-Sen Cancer Center Director, Tai-Yuen Textile Co., Ltd. Director, Diamond Hosiery & Thread Co., Ltd Director, Asia Cement Co., Ltd. Director, Far Eastern Textile, Ltd.	Nil	Nil	Nil

## The Major Stockholders of Corporation Shareholders

April 30, 2013

Names of Major Stockholders	The Major Stockholders of Corporation Shareholders
Yulon Motor Company Ltd.	1. Tai Yuen Textile Co., Ltd., (18.11%) 2. China Motor Co., Ltd., (15.06%) 3. Kenneth K. T. Yen (10.18%) 4. Cathay Life Insurance Co., Ltd. (2.38%) 5. Nanshan Life Insurance Co., Ltd. (2.19%) 6. Hua Li Investment Co., Ltd. (1.61%) 7. Fan De Investment Co., Ltd. (1.34%) 8. Shin Kong Life Insurance Co., Ltd. (1.30%) 9. Standard Chartered Bank Trust VANGUARD EMERGING MARKETS STOCK INDEX FUND (1.20%) 10. Yen Tjing-Ling Industrial Development Foundation (1.09%)
Nissan Motor Co., Ltd.	1. Renault(43.7%) 2. Japan Trustee Services Bank Ltd.(Trust)(3.9%) 3. The Chase Manhattan Bank, N.A. London. Special Account No.1(3.2%) 4. The Master Trust Bank of Japan Ltd. (Trust)(3.1%) 5. Nippon Life Insurance Company (2.1%) 6. Japan Trustee Services Bank Ltd.(Trust 9)(1.6%) 7. SSBT OD05 Omnibus Account-Treaty Clients(1.4%) 8. Sompo Japan Insurance Inc.(1.2%) 9. State Street Bank and Trust Company 505225. (1.0%) 10. Tokio Marine Nichido Fire Insurance Company (0.9%)
Wei Wen Investment Co., Ltd.	1. Kenneth K. T. Yen (99.4%) 2. Wei Tai Investment Co., Ltd.(0.1%) 3. Le Wen Investment Co., Ltd. (0.1%) 4. Fan De Investment Co., Ltd. (0.1%) 5. Jing Yu Investment Co., Ltd. (0.1%) 6. Yu Xin Investment Co., Ltd. (0.1%) 7. Lilian Chen (0.1%)

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

April 30, 2013

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



2.China Motor Co., Ltd.	<ol 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. (4.38%)</li> <li>7. Kenneth K. T. Yen ( 1.20% )</li> <li>8. Standard Chartered Bank Trust VANGUARD EMERGING MARKETS STOCK INDEX FUND (1.01%)</li> <li>9. Labor Pension Fund (0.95%)</li> <li>10. CitiBank Taiwan was commissioned and management investor account of Dimension emerging market estimate fund (0.82%)</li> </ol>
3.Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
4. Nanshan Life Insurance Co., Ltd	<ol 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.(7.55%)</li> </ol>
5.Hua Li Investment Co., Ltd.	<ol 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> </ol>
6.Fan De Xin Investment Co., Ltd.	<ol 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> </ol>
7. Shin Kong Life Insurance Co., Ltd..	Shin Kong Financial Holdings Co., Ltd. (97.28%)
8. Standard Chartered Bank Trust VANGUARD EMERGING MARKETS STOCK INDEX FUND	Non-juristic person, not applicable
9. Yen Tjing-Ling Industrial Development Foundation	Juridical Person
10.Renault	<ol 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>4.Other Shareholders: Subject to local restrictions, not available</li> </ol>
11.Japan Trustee Services Bank Ltd.(Trust)	Subject to local restrictions, not available
12.The Chase Manhattan Bank, N.A. London. Special Account No.01	Subject to local restrictions, not available
13.The Master Trust Bank of Japan, Ltd. (Trust)	<ol style="list-style-type: none"> <li>1.Mitsubishi UFJ Trust and Banking Co.,Ltd.(46.5%)</li> <li>2.Nippon Life Insurance Co.,Ltd.(33.5%)</li> <li>3.Meiji Yasuda Life Insurance Co.,Ltd.(10%)</li> <li>4.The Norinchukin Trust &amp; Banking Co.,Ltd.(10%)</li> </ol>

14. Nippon Life Insurance Company	Subject to local restrictions, not available
15. Japan Trustee Services Bank Ltd. (Trust 9)	Subject to local restrictions, not available
16. SSBT OD05 Omnibus Account-Treaty Clients	Subject to local restrictions, not available
17. Sompo Japan Insurance Inc.	NKSJ Holdings, Inc.(trust)(100%)
18. State Street Bank and Trust Company 505225	Subject to local restrictions, not available
19. Tokyo Marine Nichido Fire Insurance Company	Millea Holdings, Inc.(100%)
20. Wei Tai Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Kenneth K. T. Yen (99.88%)</li> <li>2. Wei Wen Investment Co., Ltd. (0.02%)</li> <li>3. Fan De Investment Co., Ltd. (0.04%)</li> <li>4. Lilian Chen (0.02%)</li> <li>5. Jerry Chu (0.02%)</li> <li>6. Chi, Wei-Kung (0.02%)</li> </ol>
21. Le Wen Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Kenneth K. T. Yen (99.88%)</li> <li>2. Wei Wen Investment Co., Ltd. (0.04%)</li> <li>3. Fan De Investment Co., Ltd. (0.04%)</li> <li>4. Lilian Chen (0.02%)</li> <li>5. Chi, Wei-Kung (0.02%)</li> </ol>
22. Jing Yu Investment Co., Ltd...	<ol style="list-style-type: none"> <li>1. Evans Co., Ltd. (99.96%)</li> <li>2. Wei Tai Investment Co., Ltd. (0.007%)</li> <li>3. Fan De Investment Co., Ltd. (0.007%)</li> <li>4. Chi, Wei-Kung (0.007%)</li> <li>5. Jack Huang (0.007%)</li> <li>6. Henry Wang(0.006%)</li> <li>7. Shu-Jun Chen (0.006%)</li> </ol>
23. Yu Xin Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Evans Co., Ltd. (99.96%)</li> <li>2. Wei Tai Investment Co., Ltd. (0.007%)</li> <li>3. Fan De Investment Co., Ltd. (0.007%)</li> <li>4. Chi, Wei-Kung (0.007%)</li> <li>5. Jack Huang (0.007%)</li> <li>6. Henry Wang(0.006%)</li> <li>7. Shu-Jun Chen (0.006%)</li> </ol>

## 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. Representative: Kenneth K. T. Yen				v			v	v					v	v		
Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen				v			v	v					v	v		
Yulon Motor Co., Ltd. Representative: Wen -Rong Tsay				v			v	v					v	v		
Yulon Motor Co., Ltd. Representative: Zhen -Xiang Ya				v			v	v					v	v		
Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi				v			v	v					v	v	v	
Nissan Motor Co., Ltd. Representative: Atsushi Kuboi				v			v	v					v	v	v	
Nissan Motor Co., Ltd. Representative: Hatanaka Keiji				v			v	v					v	v	v	
Nissan Motor Co., Ltd. Representative: Isao Morimoto				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
Wei Wen Investment Co., Ltd. Representative: Kuan-Tao Lee				v	v	v	v	v	v	v	v	v	v	v		

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, 2013

Main Experience (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
Master of High Level Management, Chiao Tung University	Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Director, Jet Ford, Inc. Director, Taiwan Acceptance Corporation Director, Yu Shin Motor Co., Ltd. Director, Chen Long Co., Ltd. Director, Chi Ho Corporation Supervisor, CARPLUS Auto Leasing Co., Ltd. Supervisor, Tokio Marine Newa Insurance Co., Ltd Director, Aeolus Suxhou Sales & Service Co., Ltd. Director, Shenzhen Yu Peng Sales & Service Co., Ltd. Director, Wuhan Yu Shin Auto Sales & Service Co., Ltd. Director, Nanjing Hanhong Auto Trading Co., Ltd. Director, Yulon Management Co.,Ltd	—	—	—
Master of High Level Management, Chiao Tung University	President & Director , Yulon Motor Co., Ltd. Director, China Motor Co., Ltd. Director, Taiwan Acceptance Corporation Supervisor of Altek Corporation Director, Tai-Yuen Textile Co., Ltd. Senior Vice Chairman, Lexgen Motors Co., Ltd. Chairman , Yulon Tobe Co., Ltd. Director, Dongfeng-Yulon Motor Co Director, Hua-chuang Automobile Information Technical Center Co., Ltd. Director, Tokio Marine Newa Insurance Co., Ltd. Chairman, Yulon Energy Techology Co.,Ltd. Chairman, Yu Shin Motor Co., Ltd. Chairman, Yushin Motor Co., Ltd. Vice Chairman, Aeolus Automobile Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Co., Ltd. Chairman, Yulon (China) Motor Investment Limited	—	—	—

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	Shun-Chi Tsai	2007.1.1	—	—	—	—	—	—
General Manager	Dennis Chang	2012.10.1	—	—	—	—	—	—
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 (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. Director, YuShin Motor Co., Ltd Director, YuChang Motor Co., Ltd Director, Yuan Long Motor Co. Ltd. Director, Empower Motor Co. Ltd. Director, Yuan Tang Motor Co. Ltd Director, Chen Long Motor Co. Ltd Director, Chi Ho Corporation Director of Kaihsin Insurance Agent Co. Director, Singan Co. Ltd Director, Sinjang Co. Ltd Director, Tianwang Co. Ltd Director, Qun Min Corporation Director, Hui-Lian Motor Co., Ltd	—	—	—
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 Technology	Director, Empower Motor Co. Ltd. Director, Yuan Long Motor Co. Ltd Director, Qun Min Corporation	—	—	—
Department of Business Administration , Tunghai University	Director, Yuan Long Motor Co., Ltd. Director, Yuan Tang Motor Co. Ltd Director, Yu Shin Motor Co., Ltd. Director, YuChang Motor Co., Ltd Director, Zhu Miao Tobe Co., Ltd	—	—	—
Department of Aerospace Engineering, Tamkang University	—	—	—	—
Chung Cheng Institute of Technology Department of Vehicle Engineering	—	—	—	—
Master of Business Administration , National Cheng Kung University.	—	—	—	—
Department of Industrial Design National Cheng Kung University Master of International Business Management, Curtin University of Technology	—	—	—	—
Department of Navigation , National Taiwan Ocean University	Director of Kaihsin Insurance Agent Co. President, Hui-Lian Motor Co., Ltd	—	—	—
Department of Mechanical Engineering, National Chung Hsing University 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, 2012  
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)		Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries				
		Compensation (A) The Company included in this consolidated statement	Compensation of Surplus Distribution (B) (Note 2) The Company included in this consolidated statement	Surplus Divided Payment (C) All the companies included in this consolidated statement The Company	Business Execution Expense (D) All the companies included in this consolidated statement The Company	% of Total Amount of A, B, C and D against Net Profit after Tax	Salary, Reward and Special Allowance (E) (Note 1) All the companies included in this consolidated statement The Company	Compensation of Surplus Distribution (F) (Note 3) All the companies included in this consolidated statement The Company	Surplus Divided Employee Bonus (G) The Company Cash Bonus Stock Bonus	All the companies included in this consolidated statement Cash Bonus Stock Bonus	The Company The Company		All the companies included in this consolidated statement	% of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax		
Chairman	Kenneth K.T. Yen															
Director	Kuo-Rong Chen															
Director	Yi-Cheng Liu															
Director	Wen-Rong Tsay									21,293						
Director	Takashi Nishibayashi									Rent 864 Car Rental 2,309 Driver 2,388						
Director	Atsushi Kuboi (Note 4)	12,000	0	0	0	0.24%				1,862				0	0.78%	0.78%
Director	Hatanaka Keiji															
Director	Isao Morimoto															
Director	Mitsuhide Nakao (Note 4)															
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: 1,862 NTD Thousand

Note 4: Atsushi Kuboi succeeded Mitsuhide Nakao as Nissan Motor Co., Ltd. Representative since July 1 2012.



**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 , Kuo-Rong Chen , Yi-Cheng Liu , Wen -Rong Tsay , Takashi Nishibayashi , Atsushi Kubo , Hatanaka Keiji , Isao Morimoto , Mitsuhide Nakao , Tsung-Jen Huang , Robert Mao	Kenneth K.T. Yen , Kuo-Rong Chen , Yi-Cheng Liu , Wen -Rong Tsay , Takashi Nishibayashi , Atsushi Kubo , Hatanaka Keiji , Isao Morimoto , Mitsuhide Nakao , Tsung-Jen Huang , Robert Mao	Yi-Cheng Liu , Takashi Nishibayashi , Atsushi Kubo , Mitsuhide Nakao , Tsung-Jen Huang , Robert Mao	Yi-Cheng Liu , Takashi Nishibayashi , Atsushi Kubo , Mitsuhide Nakao , Tsung-Jen Huang , Robert Mao
NT2,000,000 ~ NT5,000,000			Kuo-Rong Chen , Hatanaka Keiji , Isao Morimoto	Kuo-Rong Chen , Hatanaka Keiji , Isao Morimoto
NT5,000,000 ~ NT10,000,000			Kenneth K.T. Yen , Wen -Rong Tsay	Kenneth K.T. Yen , Wen -Rong Tsay
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	11	11	11	11

## 2.Compensation of supervisors

Dec. 31, 2012  
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)		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. Representative: Kuan-Tao Lee							
Supervisor	Wei Wen Investment Co., Lid Representative: Kuan-Tao Lee	3,600	3,600	0	0	0	0	0.07%
Supervisor	Nagano Masaya							
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		Kuan-Tao Lee , Nagano Masaya , Qing-Zhi Yen
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, 2012 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 consolidated statement	The Company	All the companies included in consolidated statement	The Company	All the companies included in consolidated statement	Cash Bonus	Stock Bonus	Stock Bonus	The Company	All the companies included in consolidated statement	
President	Wen-Rong Tsai				5,775 Rent 432								
Special Assistant to the Chairman	Kuo-Rong Chen	6,229	747	747	Car Rental 886 Driver 1,608	310	0	310	0	0.29%	0	0	Nil
Senior Vice President	Hatanaka Keiji												

## 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		Kuo-Rong Chen · Hatanaka Keiji
NT5,000,000 ~ NT10,000,000		Wen-Rong Tsai
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

Note (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 747 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, 2012  
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	Jin-Zhu Lin(Note1)						
	Manager	Shun-Chi Tsai	-	-	-	2,040 (Note )	2,040 (Note )	0.04% (Note )
	Manager	Bruce Cheng(Note2)						
	Manager	Dennis Chang(Note3)						
	Manager	Can-Huang Lin						
	Manager	Yu-Jhuo Xie						
	Manager	Chung Clock						
	Manager	Vincent Mao						
	Manager	Wen-Qiang Hu						
	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 Feb 25, 2013

Note 2 : Resigned on Sep 30, 2012

.Note 2 : Appointed on Oct 1, 2012.

#### (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	2012 year			2011 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	4,930,477	0.24%	12,000	3,831,565	0.31%
Supervisor	3,600	4,930,477	0.07%	3,600	3,831,565	0.09%
President and Senior Vice President	14,379	4,930,477	0.29%	12,848	3,831,565	0.34%
Total	29,979	4,930,477	0.60%	28,448	3,831,565	0.74%

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	4	1	80%	
Corporation Director Representative	Kuo-Rong Chen	5	0	100%	
Corporation Director Representative	Yi-Cheng Liu	5	0	100%	
Corporation Director Representative	Wen-Rong Tsay	5	0	100%	
Corporation Director	Nissan Motor Co., Ltd.				
Corporation Director Representative	Takashi Nishibayashi	0	5	0%	
Corporation Director Representative	Atsushi Kubo	1	1	20%	Appointed on July 1, 2012
Corporation Director Representative	Hatanaka Keiji	5	0	100%	
Corporation Director Representative	Isao Morimoto	5	0	100%	
Corporation Director Representative	Mitsuhide Nakao	0	3	0%	Resigned on Jun 30, 2012
Independent Director	Tsung-Jen Huang	3	1	60%	
Independent Director	Robert Mao	3	1	60%	
Corporation Supervisor	Yu Ching Business Co., Ltd				
Corporation Supervisor Representative	Kuan-Tao Lee	3	0	60%	Resigned on Jun 30, 2012
Corporation Supervisor	Wei Wen Investment Co., Ltd				
Corporation Supervisor Representative	Kuan-Tao Lee	2	0	40%	Appointed on July 1, 2012
Supervisor	Nagano Masaya	0	0	0%	
Independent Supervisor	Qing-Zhi Yen	0	0	0%	

Other Notes:

- 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.
- 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.
- 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
Corporation Person Supervisor	Yu Ching Business Co., Ltd			
Natural Person Supervisor Representative	Kuan-Tao Lee	3	60%	Resigned on Jun 30, 2012
Corporation Person Supervisor	Wei Wen Investment Co., Ltd			
Natural Person Supervisor Representative	Kuan-Tao Lee	2	40%	Appointed on July 1, 2012
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, 16 2011, See ( 5 )Remuneration Committee</p>	<p>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> <li>8. Our company has formulated the Internal Important Message Processing Procedures which have been informed to all employees, managers and directors to prevent insider trading.</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:****(1) Data of Remuneration Committee Members**

Name Title/Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Tsung-Jen Huang Independent Director			√	√	√	√	√	√	√	√	√	√	1
Robert Mao Independent Director			√	√	√	√	√	√	√	√	√	√	1
Yun-Hua Yang Other	√	√		√	√	√	√	√	√	√	√	√	4

Note:

Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not been a person of any conditions defined in Article 30 of the Company Law.

**(2) Compensation Committee Meeting Status**

1. There are 3 members in the Remuneration Committee.

2. Current Commission term: From Jul 1, 2012 to Jun 30, 2015.

The Compensation Committee convened two(A) regular meetings in 2013. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Chair	Tsung-Jen Huang	2	0	100%	None
Member	Robert Mao	2	0	100%	None
Member	Yun-Hua Yang	2	0	100%	None

Annotation:

1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2013.
2. There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.

**(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>

Item	Operation	The difference in contrast to the listed / OTC company's corporate governance codes of practice and reasons
<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 \$4,601,525.</p>	<p>Compliance with the Code of Practice for Corporate Social Responsibility by Listed and OTC Companies</p>
<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 20, 2013

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self-check of internal control for the period of January 1, 2012 to December 31, 2012. 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 20, 2013 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 2012 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 2012 and prior to the printing date of annual report**

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	March 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 23, 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>
Shareholders Meeting	June 13 2012	<ol style="list-style-type: none"> <li>1. Passed to acknowledge the Company's final statement of fiscal year 2011</li> <li>2. Passed the Company's surplus distribution list for fiscal year 2011 each stock is issued with a total of NTD 10.2</li> <li>3. Passed to modification of articles NO.31 and NO.35 of incorporation.</li> <li>4. Passed to modify ".Operation Procedures of Assets Acquisition and Disposal".</li> <li>5. The election of Director &amp; supervisors of the fifth board.</li> <li>6. Pass to release the prohibition of the fifth board business strife that managers shall not act as managers for another company.</li> </ol>
Board of Directors	June 13, 2012	<ol style="list-style-type: none"> <li>1. The election of the chairman who is kenth Yen.</li> <li>2. Passed ex-dividend date for 2011 cash dividend.</li> <li>3. Passed approval of the related chapters of modification of "Stocks affair Internal Control System" and "Stocks affair Internal Audit Implementation Rules".</li> <li>4. Passed the proposal of 1st conference of the 1st Compensation Committee.</li> <li>5. Passed to appoint the committees of the 2nd Compensation Committee.</li> </ol>
Board of Directors	August 27, 2012	<ol style="list-style-type: none"> <li>1. Passed the first half of 2012 financial report.</li> </ol>
Board of Directors	Dec 7, 2012	<ol style="list-style-type: none"> <li>1. Passed to modify the management system for conducting the director meeting.</li> <li>2. Passed the Proposal of Compensation Committee.</li> <li>3. Passed Company's Internal Control Statement of 2012.</li> </ol>
Board of Directors	Mar 20, 2013	<ol style="list-style-type: none"> <li>1. Passed 2012 Operating Report and Financial Statements.</li> <li>2. Passes By-election of the supervisors.</li> <li>3. Passed modification of 「 Operating Procedures for Provisions of Endorsements and Guarantees 」 .</li> <li>4. Passed modification of 「 Operating Procedures for Provisions of Capital Loans to Others 」 .</li> <li>5. Passed YNM's "2012 Declaration Statement of Internal Control".</li> <li>6. Passed to convene the Company's Shareholders General Meeting 2013..</li> </ol>
Board of Directors	April 26, 2013	<ol style="list-style-type: none"> <li>1. Passed the Company's surplus distribution for fiscal year 2012 ; each stock is issued with a total of NTD 13.3 as a cash dividend.</li> <li>2. Passed 2013 operational target and budget plan.</li> <li>3. Passed fiscal report of the Q1 of FY13.</li> <li>4. Passed modification of Incorporation articles.</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 2012 and Prior to the Publication Date of the Annual Report:**

Title	Name	Appointed Date	Resigned Date	Resigned Reason
Directors	Yi-Cheng Liu	Jul 1, 2012	Mar 31, 2013	Change of corporation director representation
Supervisor	Qing-Zhi Yen	Jul 1, 2012	Mar 31, 2013	Personal reason
Supervisor	Nagano Masaya	Jul 1, 2012	Mar 31, 2013	Personal reason

#### 4. Information on Accountant fees

**(1) Audit fees information:**

CPA firms	CPA's Name		Audit Period	Note
Deloitte & Touche CPA Firm	Chien-Hsin Hsieh	En-Ming Wu	2012.01.01-2012 .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 2012 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 2012		Current Fiscal Year and before April 30, 2013	
		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. Representative: Kenneth K.T. Yen	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Yi-Cheng Liu (Note 1)	(10)	-	(28)	-
Director	Yulon Motor Co., Ltd. Representative: Wen-Rong Tsai	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Zhen -Xiang Yao (Note 2)				
Corporation Director	Nissan Motor Co., Ltd.	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi				
Director	Nissan Motor Co., Ltd. Representative: Atsushi Kubo (Note 4)				
Director	Nissan Motor Co., Ltd. Representative: Hatanaka Keiji				
Director	Nissan Motor Co., Ltd. Representative: Isao Morimoto				
Director	Nissan Motor Co., Ltd. Representative: Mitsuhide Nakao (Note 3)	-	-	-	-
Natural Person Supervisor	Yu Ching Business Co., Ltd. (Note 5)	-	-	-	-
Supervisor	Yu Ching Business Co., Ltd. Representative: Kuan-Tao Lee	-	-	-	-
Natural Person Supervisor	Wei Wen Investment Co., Ltd (Note 6)	-	-	(2)	-
Supervisor	Wei Wen Investment Co., Ltd Representative: Kuan-Tao Lee	-	-	-	-
Independent Director	Tsung-Jen Huang	-	-	-	-

Title	Name	Fiscal year 2012		Current Fiscal Year and before April 30, 2013	
		Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized	Number of holding Shares Increased (Decreased)	Increased (Decreased) Number of Shares Collateralized
Independent Director	Robert Mao	-	-	-	-
Independent Supervisor	Qing-Zhi Yen(Note 7)	-	-	-	-
Supervisor	Nagano Masaya(Note8)	-	-	-	-
President	Wen-Rong Tsai	-	-	-	-
Special Assistant to the Chairman	Kuo-Rong Chen	-	-	-	-
Senior Vice President	Hatanaka Keiji	-	-	-	-
Vice President	Morimoto Isao	-	-	-	-
Vice President	Takeshi Fujiwara				
Vice President	Leman C.C. Lee	-	-	-	-
Manager	Jiang-Shan Lee	-	-	-	-
Manager	Jin-Zhu Lin(Note9)	-	-	-	-
Manager	Shun-Chi Tsai	-	-	-	-
Manager	Bruce Cheng(Note10)	-	-	(8)	-
Manager	Dennis Chang(Note11)				
Manager	Can-Huang Lin	-	-	-	-
Manager	Yu-Jhuo Sie	-	-	-	-
Manager	Chung Clock	-	-	-	-
Manager	Vincent Mao	-	-	-	-
Manager	Wen-Qiang Hu				
Financial Executive	Chao-Yen Liang	-	-	-	-
Account supervisor	Yan-Jung Kuan	-	-	-	-

Note 1 : Resigned on Mar 31, 2013.

Note 2 : Appointed on Apr 1, 2013.

Note 3 : Resigned on Jun 30, 2012.

Note 4 : Appointed on Jul 1, 2012

Note 5 : Resigned on Jun 30, 2012  
Note 6 : Appointed on Jul 1, 2012  
Note 7 : Resigned on Mar 31, 2013.  
Note 8 : Resigned on Mar 31, 2013  
Note 9 : Resigned on Feb 25, 2013  
Note 10 : Resigned on Sep 30, 2012  
Note 11 : Appointed on Oct 1, 2012

**(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. Sin Chi Co., Ltd.	Subsidiary Subsidiary	Director
Kenneth K.T.Yen	-	-	-	-	-	-	-	-	Representative OF Directo
Kuo-Rong Chen	18,000	0.01	-	-	-	-	-	-	
Wen-Rong Tsai	-	-	-	-	-	-	-	-	
Zhen –Xiang Yao	-	-	-	-	-	-	-	-	
Nissan Motor Corporation	120,000,000	40.00	-	-	-	-	-	-	Director
Takashi Nishibayashi	-	-	-	-	-	-	-	-	Representative OF Directo
Atsushi Kubo	-	-	-	-	-	-	-	-	
Hatanaka Keiji	-	-	-	-	-	-	-	-	
Isao Morimoto	-	-	-	-	-	-	-	-	
Yu Ching Business Co., Ltd.	3,500,000	1.17	-	-	-	-	Yulon Motor Co., td. Sin Chi Co., Ltd.	Mother Company Subsidiary of Nissan Motors	Person in Charge of the Company: JHEN-HUA LI,
Sin Chi Co., Ltd.	3,050,000	1.02	-	-	-	-	Yulon Motor Co., td. Yu Ching Business Co., Ltd.	Parent ompany Subsidiary of Nissan Motors	Kuo-Rong Chen
WEI-JIE HUANG	2,862,000	0.95	-	-	-	-	-	-	Non-juristic person, not applicable
YUE-SIA WANG	2,312,000	0.77	-	-	-	-	-	-	Non-juristic person, not applicable
Wei Wen Investment Co., Ltd.	1,878,000	0.63	-	-	-	-	Yulon Motor Co., td.	The chairman is the large shareholder who has ability to control company.	supervisors
Kuan-Tao Lee	-	-	-	-	-	-	-	-	Representative OF supervisors
Wei Tai Investment Co., Ltd.	1,794,000	0.60	-	-	-	-	Yulon Motor Co., td.	The chairman is the large shareholder who has ability to control company.	Person in Charge of the Company: Jian Lin Zhu
Lo-Wen Enterprises Co., Ltd	1,500,000	0.50	-	-	-	-	Yulon Motor Co., td	The chairman is the large shareholder who has ability to control company.	Person in Charge of the Company: Wei Gong Chi
HSBC was commissioned and management investor account of Morgan Stanley & Co. International Limited	1,452,000	0.48	-	-	-	-	-	-	Non-juristic person, not applicable

**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 Month	Par Value	Authorized Capital		Paid-up Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Share Capital	Invested with Assets Other than Cash	Other
2003/10	10	600,000	6,000,000	300,000	3,000,000	Separately Established 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 Shareholders Quantity(Qty)	Governmental Institution	Financial Institution	Other Institution	Natural Person	Foreign Institutional and Natural Person	Total
	Number	1	11	93	1,196	35
Shares	691,000	657,692	164,398,605	11,083,084	123,169,619	300,000,000
Percentage	0.23	0.22	54.80	3.69	41.06	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	274	12,721	0.00%
1,000 ~ 5,000	829	1,394,562	0.46%
5,001 ~ 10,000	64	516,855	0.17%
10,001 ~ 15,000	19	238,402	0.08%
15,001 ~ 20,000	25	468,000	0.16%
20,001 ~ 30,000	22	595,000	0.20%
30,001 ~ 40,000	16	569,365	0.19%
40,001 ~ 50,000	16	728,000	0.24%
50,001 ~ 100,000	23	1,606,000	0.54%
100,001 ~ 200,000	16	2,326,095	0.78%
200,001 ~ 400,000	16	4,753,000	1.58%
400,001 ~ 600,000	1	455,000	0.15%
600,001 ~ 800,000	1	691,000	0.23%
800,001 ~ 1,000,000	3	2,748,000	0.92%
Make a self classification based on the actual situation when above 1,000,001	11	282,898,000	94.30%
Total	1,336	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
Yu Ching Business Co., Ltd.		3,500,000	1.17
Sin-Chi Co., Ltd		3,050,000	1.02
WEI-JIE HUANG		2,862,000	0.95
YUE-SIA WANG		2,312,000	0.77
Wei Wen Investment Co., Ltd.		1,878,000	0.63
Wei Tai Investment Co., Ltd		1,794,000	0.60
Lo-Wen Enterprises Co., Ltd.		1,500,000	0.50
HSBC was commissioned and management investor account of Morgan Stanley & Co. International Limited		1,452,000	0.48



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

Item		Fiscal Year		Current Fiscal Year and before March 31, 2013
		2011 year	2012 year	
Market value Per share	Highest	158	277.5	292.5
	Lowest	87.6	123.5	228.5
	Average	122.88	222.58	256.29
Net Assets Per share	Before distribution	65.21	68.90	75.31
	After distribution	-	-	-
EPS(Earning Per Share)	Weighted average number of shares	300,000,000	300,000,000	300,000,000
	EPS(Earning Per Share)	12.77	16.43	4.27
Dividend Per share	Cash Dividend	10.2	-	-
	Stock Dividend	-	-	-
		-	-	-
	Cumulative un-paid dividend	-	-	-
Analysis on ROI(Return on Investment)	Price-Earnings(P/E) Ratio	9.62	13.55	-
	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) 0.1% ~ 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 2013 for the dividend distribution is cash dividend at NT\$13.3 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) 0.1% ~ 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 NTD30,251,000.

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

- (1) The proposal to distribute employee bonus of NTD30,251,000, Stock bonus of NTD 0 and Supervisors of NTD0. There's no deviation from the estimated 2012 annual budget.
- (2) Employees' dividends that had been determined through 2013 board of directors' proposals were paid in cash.
- (3) Employees' dividends and rewards for directors and supervisors this time were deemed as the expenditure of 2012. The basic earnings per share of this year was calculated as NT\$ 16.43.

**4. Approved from the 14th meeting of 4rd Board of Director held on April 30, 2012, the earnings in fiscal year 2011 allocated as employee bonus were NTD 41,500,000, 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. Restricted Stock Dividends of Employee Issued : Nil**

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

**8. 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 2011		Fiscal year 2012	
	Amount	Percentage(%)	Amount	Percentage(%)
Finished cars	28,581,277	89.00	25,563,983	87.74
Parts	3,467,395	10.80	3,445,959	11.83
Other	66,679	0.20	124,588	0.43
Total	32,115,351	100.00	29,134,530	100.00

#### (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/: 4-speed automatic transmission.

BIG TIIDA series: 1.6 L continuous variable speed hatchback

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

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

GTR series: 3.8L imported six-speed powershift sports car

##### 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

EX37 series: V6 3.7L 5-door, 7-speed automatic transmission sports car

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

FX37 series: V6 3.7L 5-door, 7-speed automatic transmission luxurious SUV

JX35 series: V6 3.5L 5-door, CVT (Continuously Variable) transmission, 7 seater luxury sport utility

(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.LIVINA Development of Successive Vehicle Types
- C.BLUEBIRD Development of Successive Vehicle Types
- D.Electric Motorcars

**(2) Industry Summary**

1. Industry Current Status and Development

In 2012, the world's political and economic situations kept changing, the European debt crisis remained unsettled, economic recovery in countries like the U.S. and China was slow, and the yen appreciated sharply. Under these circumstances and also impacted by policies concerning Capital Gain Tax along with oil and power price hike, total sales volume of new cars dropped by 3.6% compared with that in 2011. However, with mass fervor to buy a new car in a decade and the hot discussion of "old-for-new" subsidy policies, as well as the growth of domestic demand. 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) Small family car(1600cc below):

In 2012, 53,624 domestic small saloon cars under 1600cc were sold, indicating a decrease rate of 4% compared to 2011, accounting for 34% of the domestic passenger car market.

(2) 2.0L or below car models(1600~2000cc):

In 2012. The medium sedan market sales reached 83,884 cars, accounting for 53% of domestic passenger vehicle market with a decrease of 7% from 2011.

(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 2012 amounts to 22,222 , the sales volume fell by 2% from 2011. a 14% 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 98,586 vehicles, the sales volume fell by 10% from 2011.

**(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 2011	Fiscal year 2012	Current Fiscal Year and before April 30,2013(Note)
R&D expenditure	548,586	607,333	164,784
Net Sales	32,115,351	29,134,530	9,778,038
Percentage of R&D expenditure over Net Sales	1.7%	2.1%	1.7%

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.
- (26) February 2012: Completed the development of new remodeling TEANA 12 model.
- (27) May 2012: Completed the development of new remodeling LIVINA 12 model.
- (28) August 2012: Completed the development of new remodeling OPEN MARCH model.
- (29) October 2012: Completed the development of new BIG TIIDA model.
- (30) October 2012: Completed the development of new remodeling LIVINA ECE 12 model.
- (31) December 2012: Completed the development of new remodeling TIIDA ECE 12 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 2015.

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 a like. 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 2012, 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 2012, we sold 38,416 general cars with a market share of 14.8% and 2,485 import ones, with a market share of 2.6%. The total sales volume is 40,901 units and the market share is 11.5%. The total sales volume in 2012 is decrease 7.6% than 2011.

3. Analysis and Description of 2012 Market Sales Status and Growth

In 2012, total sales volume of autos in Taiwan was 355,000, due to the fast change of global economy, the continuous rise of oil price, the worse-than-expected economic environment domestically and the ever-decreasing economic growth rate. However, driven by the public discussion of the launch of new cars by the end of the year and the Taipei auto show, the sales volume of new cars domestically was almost no less than anticipated, a slight decrease of 3.6 from 2011.

4. Market Sales Forecast for This Year (2013)

In the beginning of 2013, autos remained hot products, the same situation as that in the end of 2012. Motivated by the public discussion of the launch of new car models and special offers provided by car manufacturers, the domestic auto market seemed very brisk which led to a total sales volume of 61,732 in January and February, a year-on-year growth of 0.4%. This year, if “old-for-new” subsidy policies are smoothly implemented, the annual sales of new cars on the whole will be enhanced significantly. It’s estimated that the auto market of this year will take a turn for the better, that is, a stable development. In 2013, Nissan will try to improve its brand image of passionate driving and favorability through both the launch events of BIG TIIDA, JUKE, NEW SENTRA and INFINITI Q50 and the opening of the new INFINITI IREDI. NISSAN will carry out test-drive activities after the lunar new year to further expose NISSAN lines of products to the public, thus increasing its sales volume in the long run. Furthermore, in line with the idea of green energy technology and environmental protection advocated by NISSAN Zero Emission, the brand new BIG TIIDA series will be introduced here equipped with CVT. They not only boast fashionable appearances and the highest power output and largest space among cars of the same segment, but also are the most fuel-efficient (1.6L 18.5Km/L). Together with NEW MARCH, BIG TIIDA was awarded the title of Grade I Oil Consumption car model, holding a leading position in the auto market. NEW MARCH/LIVINA/TIIDA/TEANA series are all equipped with “Energy-saving auxiliary information display”, which shows average and real-time fuel consumption to remind car owners of driving in the most energy-efficient way. NISSAN will take concrete actions to show its care for the earth by conserving energy in joint efforts with car owners and fulfill its corporate social responsibility. 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, affected by the European debt crisis and the price hike of raw materials, car owners are less inclined to buy new cars. 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 2011				Fiscal year 2012				First season in 2013			
	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.	26,193,323	99	Relative Party	Yulon Motor Co., Ltd.	23,643,252	98	Relative Party	Yulon Motor Co., Ltd.	6,078,819	98	Related Party
2	Others	136,936	1		Others	503,655	2		Others	37,432	2	
	Net Purchase amount	26,330,259	100		Net Purchase amount	24,146,907	100		Net Purchase amount	6,116,251	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 2011			Fiscal year 2012			First season in 2013		
		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	28,208,372	88	Related Party	25,104,177	86	Relative Party	6,658,805	88	Related Party
2	Others	3,906,979	12		4,030,353	14		937,225	12	
	Net Purchase amount	32,115,351	100		29,134,530	100		7,596,030	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 2011		Fiscal year 2012					
	Local Sales		Export Sales		Local Sales		Export Sales	
Main Produces (or by Department)	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Vehicle	44,721	28,581,277	-	-	42,162	25,563,007	2	976
Parts	-	2,911,529	-	555,866	-	3,033,842	-	412,117
Other	-	66,679	-	-	-	124,588	-	-
Total	-	31,559,485	-	555,866	-	28,721,437	-	413,093

### 3. Employees

Fiscal Year		Fiscal year 2011	Fiscal year 2012	Current Fiscal Year and before April 30,2013
No. of Employee	Marketing	203	203	201
	Management	77	78	78
	Reserch & Development	145	144	140
	Total	425	425	419
Average age		38.7	39.1	39
Average seniority		10.62	11.20	10.96
Academy Ratio	Doctor	0	0	0
	Master	206	211	209
	College	187	182	178
	Senior High School	30	30	30
	Below Senior High School	2	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 Note(1)	Technical cooperation to develop and manufacture a variety of vehicles	1. Restriction on sub-licensing to a third party 2. Restriction on sales beyond licensed territories
Dealing agreement on import cars	Nissan Motor Co., Ltd.	2003.11.1~ 2008.10.31 Note(1)	Dealing matters with import cars	1. Restriction on sales beyond licensed territories 2. Confidential responsibility on third party business
OEM, Substitute Materials Contract	Yulon Motor Co., Ltd.	2003.11.1~ 2008.10.31 Note(1)	Assembly for variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Restriction on sales beyond licensed territories
Sales Contract	Taiwan Acceptance Corporation	Note(2)	Provide Car Financing to Dealers	1. Restriction on sub-licensing to a third party 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 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 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 2. Confidential responsibility on third party business
Distribution agreement	Yu Tang Motor Co., Ltd. and other 2 companies	2012.3.1~ 2017.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yu Sing Motor Co., Ltd. and other 2 companies	2013.3.1~ 2018.2.28 t	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Yuan Long Motor Co., Ltd. and other 3 companies	2013.3.1~ 2017.2.28	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business
Distribution agreement	Chen Long Motor Co., Ltd. and other 2 companie	2013.3.1~ 2016.2.29	Sales of Nissan a variety of vehicles and auto parts	1. Restriction on sub-licensing to a third party 2. Confidential responsibility on third party business

Note(1): If no action is taken to renew or non renew the contract at least 6 months prior to its expiration, the contract will automatically be renewed for 1 years.

Note(2): 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

Item	Fiscal Year	Financial Data in recent 5 years					The financial data as of March 31, 2013 of that fiscal year
Current Assets							15,152,216
Property, plant and equipment							1,666,402
Intangible assets							9,684
Other assets							12,139,322
Total Assets							28,967,624
Current Liabilities	Before distribution						2,603,008
	After distribution						-
Non-current liabilities							3,771,112
Total Liabilities	Before distribution						6,374,120
	After distribution						-
Equity attributable to owners of the company							22,593,504
Share Capital							3,000,000
Capital Reserves							6,129,405
Retained Earnings	Before distribution						13,670,770
	After distribution						-
Other equity		-	-	-	-	-	( 206,671)
Treasury stock							-
Noncontrolling interest (NCI)		-	-	-	-	-	-
Total equity	Before distribution						22,593,504
	After distribution						-

Note 1: Quarterly Statement of the First Quarter of 2013 has been reviewed by CPAs.

## Condensed Income Statement

Unit : NTD Thousand

Item	Fiscal Year	Financial Data in recent 5 years					The financial data (Note ) as of March 31 2013 of that fiscal year
Operating Revenue							7,596,030
Gross Profit							1,152,253
Operating Income							274,903
Non-operating Income and Expenses							1,269,675
Profit before tax							1,544,578
Income (Loss) from Continuing Operations, Net Income (Loss)							1,280,846
Income (Loss) from Discontinued Operations							-
Net Income (Loss)							1,280,846
Total other comprehensive income (Net of Tax)							697,365
Total other comprehensive income							1,978,211
Net profit attributable to: Owner of the Company							1,280,846
Net profit attributable to: Non-controlling interests							-
Total comprehensive income attributable to: Owners of the Company							1,978,211
Total comprehensive income attributable to: Non-controlling interests							-
EPS (Earning Per Share)							4.27

Note : Quarterly Statement of the First Quarter of 2013 has been reviewed by CPAs.

## 2. Condensed Financial Statements for the recent 5 fiscal year-ROC GAPP

### (1) Condensed Balance Sheets-ROC GAPP

Unit : In NTD Thousand

Item		Financial Data in recent 5 years				
		2008	2009	2010	2011	2012
Current Assets		1,831,127	2,349,837	3,855,526	4,089,045	1,476,958
Fund and Investment		12,367,726	13,536,847	15,402,999	19,069,822	23,891,801
Fixed assets		96,933	49,540	40,840	37,166	45,236
Intangible assets		-	-	-	-	-
Other assets		3,200,520	1,782,312	1,443,347	1,459,623	1,729,328
Total Assets		17,496,306	17,718,536	20,742,712	24,655,656	27,143,323
Current Liabilities	Before distribution	1,186,581	1,286,319	1,790,241	2,698,572	3,147,752
	After distribution	1,186,581	1,286,319	3,470,241	5,758,572	(Note)
Long term liabilities		-	-	-	-	-
Other liabilities		1,223,876	1,162,077	1,787,127	2,393,600	3,325,239
Total Liabilities	Before distribution	2,410,457	2,448,396	3,577,368	5,092,172	6,472,991
	After distribution	2,410,457	2,448,396	5,257,368	8,152,172	(Note )
Share Capital		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	6,129,405
Retained Earnings	Before distribution	4,422,021	5,074,899	7,958,797	10,110,362	11,980,839
	After distribution	4,422,021	5,074,899	6,278,797	7,050,362	(Note )
Unrealized gains/losses On financial products		-	-	-	-	-
Cumulative Translation Adjustment		1,674,860	1,206,273	217,579	464,154	-439,912
Net loss not recognized as pension cost		-	-	-	-	-
Total shareholder equity	Before distribution	15,085,849	15,270,140	17,165,344	19,563,484	20,670,332
	After distribution	15,085,849	15,270,140	15,485,344	16,503,484	(Note)

Note: Earnings distribution proposal will be confirmed by 2013 general meeting of shareholders.



**(2) Condensed Income Statement-ROC GAPP**

Unit : NTD Thousand

Fiscal Year Item	Financial Data in recent 5 years				
	2008	2009	2010	2011	2012
Operating Revenue	19,442,121	21,674,728	27,455,696	32,115,351	29,134,530
Gross Profit	2,065,651	1,867,525	3,784,639	4,735,148	4,028,900
Operating Income	(610,967)	(811,608)	505,309	1,049,039	889,502
Non-Operating Revenue and Gain	1,442,116	2,478,079	2,935,557	3,644,374	5,608,459
Non-Operating Expenses and losses	225,205	1,085,358	96,662	95,506	407,187
Gain (loss) before tax from continuing operation	605,944	581,113	3,344,204	4,597,907	6,090,774
Gain (loss) from continuing operation	504,322	652,878	2,883,898	3,831,565	4,930,477
Gain (loss) from discontinued operating	-	-	-	-	-
Nonrecurring gain or loss	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Net Income (Loss)	504,322	652,878	2,883,898	3,831,565	4,930,477
EPS (Earning Per Share)	1.68	2.18	9.61	12.77	16.43

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

Fiscal Year	2008	2009	2010	2011	2012
CPA (Certified public accountant)	Sandra Chen Benjamin Shih	En Min Wu Sandra Chen	En Min Wu Chien-Hsin Hsieh	En Min Wu Chien-Hsin Hsieh	Chien-Hsin Hsieh En Min Wu
Auditors' opinions	Modified unqualified comment	Modified unqualified comment	Modified unqualified comment	No retained comment	No retained comment

## 2. Financial analysis in recent 5 years

### (1) Financial analysis

Analysis items		Fiscal Year	Financial analysis in recent 5 years					The financial data(Note 1) as of March 31 2013 of that fiscal year
		2007 years	2008 years	2009 years	2010 years	2011 years		
Finance Structure%	Debt to assets ratio						22.00	
	Long term funds to Property, plant and equipment ratio						1,582.13	
Liquidity %	Current Ratio						582.10	
	Quick Ratio						554.53	
	Interest coverage ratio						3,410.66	
Operating Performance	Receivables turnover ( times )						52.08	
	Average number days receivables outstanding						7.01	
	Inventory turnover ( times )						14,950.76	
	Payable turnover ( times )						14.15	
	Average inventory turnover days						0.02	
	Property, plant and equipment turnover ( times )						18.17	
	Total asset turnover ( times )						1.08	
Profitability	Return on assets ( % )						4.55	
	Return on equity ( % )						5.93	
	Percentage to paid-in capital%	Operation income						9.16
		Income before Tax						51.49
	Profit margin ( % )						16.86	
Cash Flow	Earning Per Share ( NT dollar )						4.27	
	Cash flow from operations ratio ( % )						4.77	
	Cash flow adequacy ratio ( % )						225.80	
Leverage	Cash Flow Re-investment Ratio ( % )						0.42	
	Operating leverage						1.46	
	Financial leverage						1	

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

Note1 : Quarterly Statement of the First Quarter of 2013 has been reviewed by CPAs.

Note 2: The formula is as follows:

1. Finance structure

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

(2) Long term funds to property, plant and equipment 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) Property, plant and equipment 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).

## (2) Financial analysis -ROC GAPP

Analysis items		Fiscal Year		Financial analysis in recent 5 years					
		2008	2009	2010	2011	2012			
Finance Structure%	Debt to assets ratio	14	14	17	21	24			
	Long term funds to fixed assets ratio	15,563	30,824	42,031	52,638	45,694			
Liquidity %	Current Ratio	154	183	215	152	47			
	Quick Ratio	146	179	215	149	45			
	Interest coverage ratio	347	196	2,651	3,871	3,134			
Operating Performance	Receivables turnover ( times )	22	42	71	71	49			
	Average number days receivables outstanding	17	9	5	5	7			
	Inventory turnover ( times )	261	44,311	24,786	19,494	15,033			
	Payable turnover ( times )	17	38	24	27	13			
	Average inventory turnover days	1	-	-	-	-			
	Fixed asset turnover ( times )	201	438	672	864	644			
	Total asset turnover ( times )	1	1	1	1	1			
Profitability	Return on assets ( % )	3	4	15	17	19			
	Return on equity ( % )	3	4	18	21	25			
	Percentage to paid-in capital%	Operation income	(Note2)	(Note2)	17	35	30		
		Income before Tax	20	19	111	153	203		
	Profit margin ( % )	3	3	11	12	17			
Earning Per Share ( NT dollar )	1.68	2.18	9.61	12.77	16.43				
Cash Flow	Cash flow from operations ratio ( % )	40	2	13	83	120			
	Cash flow adequacy ratio ( % )	153	90	54	105	127			
	Cash Flow Re-investment Ratio ( % )	(Note1)	-	1	3	3			
Leverage	Operating leverage	(Note2)	(Note2)	6	1	2			
	Financial leverage	1	1	1	1	1			
<p>Explanation of the changes in each financial ratio in recent two years:</p> <ol style="list-style-type: none"> <li>The increasing of return on assets, return on equity, income before tax on paid-in capital ratio , profit margin and EPS is mainly caused by long-term investment profit.</li> <li>Debt to assets ratio is increasing because mainland investment earning increasing then deferred tax liabilities are increasing.</li> <li>The decrease of long term funds to fixed assets ratio is mainly caused by purchasing computer equipment</li> <li>The decreasing of current ratio and quick ratio is mainly caused by more dividends paid.</li> <li>The decreasing of interest coverage ratio is mainly caused by interest expense increasing</li> <li>The decreasing of receivables turnover, inventory turnover, fixed asset turnover,operation income on paid-in capital ratio is mainly caused by the decrease in sales.</li> <li>The increasing of return on assets, return on equity, income before tax on paid-in capital ratio, profit margin and EPS is mainly caused by the increasing of mainland investment profit.</li> <li>The increasing of cash flow from operations ratio and cash flow adequacy ratio is mainly caused by redemption fund in 2012 and then current cash debt coverage ratio increased.</li> </ol>									

Note 1: There is a negative value after subtracting the cash dividends from the net cash inflow of operational activities; therefore it is not counted.

Note 2: Operating profit is negative and therefore not counted.

Note 3: 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 2012 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

2013 Shareholders' Meeting

Supervisors:

Wei Wen Investment Co., Ltd.

Representative: Kuan-Tao Lee

Supervisors:

April 30, 2013

## 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, 2012 and 2011, 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, 2012 and 2011, 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 20, 2013

#### **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, 2012 AND 2011

ASSETS	2012		2011	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 781,628	3	\$ 743,912	3
Financial assets at fair value through profit or loss (Notes 2 and 5)	-	-	2,262,001	9
Notes and accounts receivable (Notes 2 and 6)	36,310	-	22,417	-
Notes and accounts receivable - related parties (Note 20)	585,175	3	538,107	3
Other financial assets (Note 7)	21,178	-	452,645	2
Inventories (Notes 2 and 8)	1,547	-	1,793	-
Prepayments	16,804	-	33,635	-
Deferred income tax assets, net (Notes 2 and 16)	34,289	-	34,120	-
Other current asset	27	-	415	-
<b>Total current assets</b>	<u>1,476,958</u>	<u>6</u>	<u>4,089,045</u>	<u>17</u>
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)</b>	<u>23,891,801</u>	<u>88</u>	<u>19,069,822</u>	<u>77</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)</b>				
Cost				
Machinery and equipment	19,052	-	21,135	-
Transportation equipment	4,290	-	4,290	-
Tools	5,694	-	5,694	-
Computer equipment	85,064	1	83,468	-
Other equipment	82,255	-	83,639	1
Leasehold improvement	3,441	-	5,763	-
Total cost	199,796	1	203,989	1
Less: Accumulated depreciation	162,615	1	167,014	1
	37,181	-	36,975	-
Prepayments for equipment	8,055	-	191	-
<b>Property, plant and equipment, net</b>	<u>45,236</u>	<u>-</u>	<u>37,166</u>	<u>-</u>
<b>OTHER ASSETS</b>				
Refundable deposits (Note 20)	77,775	-	19,650	-
Deferred charges (Notes 2, 11 and 20)	1,651,553	6	1,439,973	6
<b>Total other assets</b>	<u>1,729,328</u>	<u>6</u>	<u>1,459,623</u>	<u>6</u>
<b>TOTAL</b>	<u>\$ 27,143,323</u>	<u>100</u>	<u>\$ 24,655,656</u>	<u>100</u>



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

LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 12)	\$ 200,000	1	\$ -	-
Accounts payable	147,796	1	144,530	1
Notes and accounts payable - related parties (Note 20)	1,899,807	7	1,570,613	6
Income tax payable (Notes 2 and 16)	164,607	1	213,238	1
Accrued expenses (Note 13)	546,724	2	559,928	2
Warranty (Note 2)	68,567	-	53,755	-
Other current liabilities	120,251	-	156,508	1
Total current liabilities	<u>3,147,752</u>	<u>12</u>	<u>2,698,572</u>	<u>11</u>
<b>OTHER LIABILITIES</b>				
Accrued pension liabilities (Notes 2 and 17)	492,980	2	469,180	2
Deferred income tax liabilities, net (Notes 2 and 16)	2,751,941	10	1,836,821	8
Warranty (Note 2)	80,318	-	87,599	-
Total other liabilities	<u>3,325,239</u>	<u>12</u>	<u>2,393,600</u>	<u>10</u>
Total liabilities	<u>6,472,991</u>	<u>24</u>	<u>5,092,172</u>	<u>21</u>
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock - \$10.00 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	11	3,000,000	12
Capital surplus				
Excess from spin-off	5,986,507	22	5,986,507	24
Gains on long-term investments	142,898	1	2,461	-
Total capital surplus	<u>6,129,405</u>	<u>23</u>	<u>5,988,968</u>	<u>24</u>
Retained earnings				
Legal reserve	1,764,839	7	1,381,683	6
Special reserve	379,840	1	379,840	1
Unappropriated earnings	9,836,160	36	8,348,839	34
Total retained earnings	<u>11,980,839</u>	<u>44</u>	<u>10,110,362</u>	<u>41</u>
Cumulative translation adjustments	(439,912)	(2)	464,154	2
Total stockholders' equity	<u>20,670,332</u>	<u>76</u>	<u>19,563,484</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 27,143,323</u>	<u>100</u>	<u>\$ 24,655,656</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, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
SALES (Note 20)	\$ 29,140,783	100	\$ 32,124,700	100
LESS: SALES RETURNS	4,296	-	6,449	-
SALES ALLOWANCES	1,957	-	2,900	-
NET SALES	29,134,530	100	32,115,351	100
COST OF SALES (Note 20)	25,105,630	86	27,380,203	85
GROSS PROFIT	4,028,900	14	4,735,148	15
OPERATING EXPENSES (Note 20)				
Marketing and selling	2,162,011	8	2,696,091	9
General and administrative	370,054	1	441,432	1
Research and development	607,333	2	548,586	2
Total operating expenses	3,139,398	11	3,686,109	12
OPERATING INCOME	889,502	3	1,049,039	3
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	5,585,608	19	3,420,248	11
Gain on sale of investments, net	18,910	-	-	-
Interest income	3,292	-	1,134	-
Gain on disposal of property, plant and equipment (Note 20)	445	-	-	-
Gain on sale of molds (Note 20)	-	-	150,483	-
Gain from valuation of financial assets	-	-	13,711	-
Foreign exchange gain, net	-	-	5,798	-
Others (Note 20)	204	-	53,000	-
Total nonoperating income and gains	5,608,459	19	3,644,374	11
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Note 11)	357,963	1	-	-
Overseas business expense (Note 20)	36,459	-	49,632	-
Foreign exchange loss, net	4,719	-	-	-
Interest expense (Note 20)	1,944	-	1,188	-
Loss on disposal of property, plant and equipment	265	-	71	-
Loss on sale of investments, net	-	-	38,088	-
Others (Note 20)	5,837	-	6,527	-
Total nonoperating expenses and losses	407,187	1	95,506	-

(Continued)

**YULON NISSAN MOTOR COMPANY, LTD.****STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
INCOME BEFORE INCOME TAX	\$ 6,090,774	21	\$ 4,597,907	14
INCOME TAX EXPENSES (Notes 2 and 16)	<u>1,160,297</u>	<u>4</u>	<u>766,342</u>	<u>2</u>
NET INCOME	<u>\$ 4,930,477</u>	<u>17</u>	<u>\$ 3,831,565</u>	<u>12</u>

	<b>2012</b>		<b>2011</b>	
	<b>Before Tax</b>	<b>After Tax</b>	<b>Before Tax</b>	<b>After Tax</b>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 20.30</u>	<u>\$ 16.43</u>	<u>\$ 15.33</u>	<u>\$ 12.77</u>
Diluted	<u>\$ 20.29</u>	<u>\$ 16.43</u>	<u>\$ 15.30</u>	<u>\$ 12.75</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, 2012 AND 2011

	Capital Stock		Capital Surplus (Notes 2 and 14)		
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total
BALANCE, JANUARY 1, 2011	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	300,000	3,000,000	5,986,507	2,461	5,988,968
Appropriation of 2011 earnings					
Legal reserve	-	-	-	-	-
Cash dividends - \$10.2 per share	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	-	140,437	140,437
Net income in 2012	-	-	-	-	-
Equity in the investees' translation adjustments	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	<u>300,000</u>	<u>\$3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 142,898</u>	<u>\$6,129,405</u>

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

Legal Reserve	Retained Earnings (Notes 2 and 14)			Cumulative Translation Adjustments (Notes 2)	Total Stockholders' Equity
	Special Reserve	Unappropriated Earnings	Total		
\$ 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
1,381,683	379,840	8,348,839	10,110,362	464,154	19,563,484
383,156	-	(383,156)	-	-	-
-	-	(3,060,000)	(3,060,000)	-	(3,060,000)
-	-	-	-	-	140,437
-	-	4,930,477	4,930,477	-	4,930,477
-	-	-	-	(904,066)	(904,066)
<u>\$ 1,764,839</u>	<u>\$ 379,840</u>	<u>\$ 9,836,160</u>	<u>\$ 11,980,839</u>	<u>\$ (439,912)</u>	<u>\$ 20,670,332</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, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,930,477	\$ 3,831,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	515,516	485,841
Impairment loss	357,963	-
Loss (gain) on sale of investments, net	(18,910)	38,088
Equity in net income of investees	(5,585,608)	(3,420,248)
Gain from valuation of financial assets	-	(13,711)
Loss (gain) on disposal of property, plant and equipment, net	(180)	71
Deferred income taxes	914,951	670,363
Provision for pension costs	23,800	19,594
Provision for loss on inventory purchase commitment	(42,458)	57,785
Provision for warranty liabilities	7,531	34,200
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	2,280,911	(175,630)
Notes and accounts receivable	(13,893)	4,042
Notes and accounts receivable - related parties	(47,068)	(214,502)
Other financial assets	431,467	161,311
Inventories	246	(777)
Prepayments	16,831	(29,069)
Other current assets	388	(415)
Notes and accounts payable	(24,675)	63,011
Notes and accounts payable - related parties	86,424	494,916
Income tax payable	(48,631)	162,253
Accrued expenses	(13,204)	73,465
Other current liabilities	6,201	3,146
Net cash provided by operating activities	3,778,079	2,245,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(23,218)	(12,455)
Proceeds from disposal of property, plant and equipment	500	-
Increase in refundable deposits	(58,125)	(16,970)
Increase in deferred charges	(799,520)	(469,089)
Net cash used in investing activities	(880,363)	(498,514)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	200,000	-
Cash dividend paid	(3,060,000)	(1,680,000)
Net cash used in financing activities	(2,860,000)	(1,680,000)

(Continued)

**YULON NISSAN MOTOR COMPANY, LTD.**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	<u>2012</u>	<u>2011</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 37,716	\$ 66,785
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>743,912</u>	<u>677,127</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 781,628</u>	<u>\$ 743,912</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 1,919</u>	<u>\$ 1,193</u>
Income tax	<u>\$ 293,940</u>	<u>\$ 77,075</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, 2012 AND 2011

(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, 2012 and 2011, the Company had 425 employees.

### 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 those received in the year of investments) are recognized as income for the year. All regular way purchases or sales of financial assets is recognized and derecognized on a settlement date basis.

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**

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 amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate. 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 additions and improvements 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 applies the intra-year and inter-year allocation methods to its income tax. Under this method, deferred income tax is recognized the tax effects of temporary differences, unused loss carryforward and unused investment tax credits. 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.

#### 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."

### 4. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	673,992	430,283
Time deposits, annual yield rate - 2012: 0.88%-0.94%; 2011: 0.87%-0.94%	6,900	154,000
Foreign-currency demand deposits	<u>100,716</u>	<u>159,609</u>
	<u>\$ 781,628</u>	<u>\$ 743,912</u>

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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Financial assets held for trading		
Mutual funds	<u>\$ -</u>	<u>\$ 2,262,001</u>

Net gain (loss) on financial assets held for trading in 2012 and 2011 was \$18,910 thousand and \$(24,377) thousand, respectively.

**6. NOTES AND ACCOUNTS RECEIVABLE**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Notes receivable	\$ -	\$ 430
Accounts receivable	<u>36,310</u>	<u>21,987</u>
	<u>\$ 36,310</u>	<u>\$ 22,417</u>

**7. OTHER FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Receivable on sale of securities	\$ 10,483	\$ 437,949
Others	<u>10,695</u>	<u>14,696</u>
	<u>\$ 21,178</u>	<u>\$ 452,645</u>

**8. INVENTORIES**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Parts	<u>\$ 1,547</u>	<u>\$ 1,793</u>

The cost of inventories recognized as cost of sales in 2012 was \$25,105,630 thousand, which included warranty cost of \$57,835 thousand and reversal of loss on inventory purchase commitment of \$42,458 thousand. 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.

**9. LONG-TERM EQUITY INVESTMENTS**

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Yi-Jan Overseas Investment Co., Ltd.	<u>\$23,891,801</u>	100	<u>\$19,069,822</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, 2012
Aeolus Xiangyang Automobile Co., Ltd.	16.55	US\$ 21,700
Aeolus Automobile Co., Ltd.	33.12	18,710
Guangzhou Aeolus Automobile Co., Ltd.	40.00	16,941
Shenzhen Lan You Technology Co., Ltd.	45.00	1,125
Dong Feng Yulon Used Cars Co., Ltd.	49.00	<u>593</u>
		<u>US\$ 59,069</u>

Jet Ford Inc. a subsidiary of Yi-Jan Overseas Investment Co., Ltd. originally acquired 25 percent of shares of Aeolus Automobile Co., Ltd. and the investment amount was US\$10,890 thousand. Jet Ford Inc. further acquired another 8.12 percent of shares of Aeolus Automobile Co., Ltd. in May 2012, and the investment amount was US\$7,820 thousand. As of December 31, 2012, the accumulated investment amount was US\$18,710 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.

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.

All accounts of the Company's subsidiaries were included in the 2012 consolidated financial statements.

## 10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2012	2011
Accumulated depreciation		
Machinery and equipment	\$ 15,952	\$ 17,282
Transportation equipment	4,100	3,983
Tools	4,935	4,435
Computer equipment	69,031	70,098
Other equipment	66,618	67,650
Leasehold improvement	<u>1,979</u>	<u>3,566</u>
	<u>\$ 162,615</u>	<u>\$ 167,014</u>

Depreciation of property, plant and equipment amounted to \$14,828 thousand in 2012 and \$16,058 thousand in 2011.

## 11. DEFERRED CHARGES

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Molds	\$ 1,269,210	\$ 1,178,416
Dies	370,974	248,817
Computer software	<u>11,369</u>	<u>12,740</u>
	<u>\$ 1,651,553</u>	<u>\$ 1,439,973</u>

Amortization of deferred charges amounted to \$500,688 thousand and \$469,783 thousand in 2012 and 2011, respectively.

The Company recognized an impairment loss of \$357,963 thousand on molds and dies in 2012 because of the decline in sales of certain vehicles, which caused a decrease in cash inflows from the use of the related molds and dies and resulted in the recoverable amount of the molds and dies being lower than carrying amount. The recoverable amount of the molds and dies was based on value in use, determined using a discount rate of 15.28%.

## 12. SHORT-TERM LOANS

The short-term loans were credit loans from Hua Nan Bank with annual interest rate of 1.15% as of December 31, 2012.

## 13. ACCRUED EXPENSES

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Wages and bonuses	\$ 299,814	\$ 270,500
Promotion expenses	110,068	165,257
Others	<u>136,842</u>	<u>124,171</u>
	<u>\$ 546,724</u>	<u>\$ 559,928</u>

## 14. 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, the capital surplus from shares issued in excess of par (i.e., excess from spin-off) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options 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) 0.1% 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, 2012 was calculated at 0.76% 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, 2011 was calculated at 1.20% of net income net of the 10% deduction for legal reserve.

If the estimated bonus is different from the proposal for the distributions of earnings proposed by the board of directors, the difference will be adjusted to the expense of current year. If the estimated bonus is different from the amount approved by the stockholders, the difference will be recognized as expense 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, Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.



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 2011 earnings of the Company approved by the stockholders on June 13, 2012 and the distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 were as follows:

	<u>Appropriation of Earnings</u>		<u>Earnings Per Share</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Legal reserve	\$ 383,156	\$ 288,390		
Cash dividend	3,060,000	1,680,000	\$ 10.20	\$ 5.60

The cash bonus to employees of \$41,500 thousand for 2011 was approved in stockholders' meeting on June 13, 2012. The approved amount of the cash bonus to employees was not different from the accrual amount of \$41,500 thousand reflected in the financial statements for the year ended December 31, 2011.

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.

As of March 20, 2013, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2012 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2012 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.

## 15. 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 \$449,129 thousand in 2012 and \$447,442 thousand in 2011, were recorded under cost of sales.

## 16. 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>2012</u>	<u>2011</u>
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 1,035,431	\$ 781,644
Add (deduct) tax effects of:		
Permanent differences	5,222	13,337
Temporary differences	(914,993)	(591,554)
Additional tax on retained earnings (10%)	122,841	91,551
Loss carryforwards used	-	(40,468)
Investment tax credits	<u>-</u>	<u>(45,093)</u>
Income tax payable	<u>\$ 248,501</u>	<u>\$ 209,417</u>

The balance of the income tax payable shown on the balance sheet as of December 31, 2012 was net of prepaid income tax.

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 year.

Income tax returns through 2010 had been examined by the tax authorities.

b. Income tax expense consisted of the following:

	<u>2012</u>	<u>2011</u>
Income tax payable	\$ 248,501	\$ 209,417
Deferred income tax	914,951	670,363
Prior year's income tax adjustments	<u>(3,155)</u>	<u>(113,438)</u>
Income tax expense	<u>\$ 1,160,297</u>	<u>\$ 766,342</u>

The prior years' income tax adjustments recognized in 2011 arose from tax exemptions from 2004 to 2007 as re-examined by tax authorities.

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

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Current		
Provision for loss on inventory purchase commitment	\$ 13,835	\$ 21,053
Provision for warranty	11,656	9,139
Unrealized foreign exchange loss	4,985	3,928
Government subsidy difference between financial accounting and taxation	<u>3,813</u>	<u>-</u>
Net deferred income tax assets	<u>\$ 34,289</u>	<u>\$ 34,120</u>
Noncurrent		
Provision for pension	\$ 83,726	\$ 79,868
Impairment loss difference between financial	78,193	43,954

accounting and taxation		
Provision for warranty	13,654	14,891
Investment tax credits	-	2,427
Equity in net income of overseas subsidiaries	<u>(2,927,514)</u>	<u>(1,977,961)</u>
Net deferred income tax liabilities	<u>\$ (2,751,941)</u>	<u>\$ (1,836,821)</u>

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

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Balance of imputation credit account ("ICA")	<u>\$ 344,571</u>	<u>\$ 219,689</u>

The estimated ICA rate for the 2012 earnings as of December 31, 2012 and the actual ICA rate for the 2011 earnings were 5.18% and 4.91%, 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, 2012 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

## 17. 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 \$12,335 thousand and \$11,240 thousand in 2012 and 2011, respectively. Accrued pension liabilities under defined contribution plan amounted to \$2,127 thousand and \$1,021 thousand as of December 31, 2012 and 2011, 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, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
a. Net pension cost was as follows:		
Service cost	\$ 6,060	\$ 6,766
Interest cost	10,863	10,971

Expected return of pension assets	(168)	(106)
Amortization	<u>12,004</u>	<u>12,004</u>
Net pension cost	<u>\$ 28,759</u>	<u>\$ 29,635</u>

**December 31**

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

Benefit obligations:

Vested benefit obligation	\$ 249,537	\$ 211,186
Non-vested benefit obligation	<u>184,361</u>	<u>196,675</u>
Accumulated benefit obligation	433,898	407,861
Additional benefits based on future salaries	<u>132,872</u>	<u>135,278</u>
Projected benefit obligation	566,770	543,139
Fair value of plan assets	<u>(8,561)</u>	<u>(5,458)</u>
Funded status	558,209	537,681
Prior service cost	(17,407)	(19,912)
Unrecognized net transition obligation	(23,022)	(32,521)
Unrecognized net loss	<u>(26,927)</u>	<u>(17,089)</u>

Accrued pension liability \$ 490,853 \$ 468,159

c. Vested benefits \$ 313,472 \$ 276,202

**December 31**

d. Actuarial assumptions

Discount rate	1.875%	2.000%
Rate of salary increase	2.500%	2.500%
Expected rate of return on plan assets	1.875%	2.000%

**2012** **2011**

e. Contributions and payments

Contributions	<u>\$ 6,065</u>	<u>\$ 5,855</u>
Payments	<u>\$ 3,019</u>	<u>\$ 6,187</u>

**18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES**

	<b>2012</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ 945	\$ 532,727	\$ 533,672
Labor and health insurance	-	29,914	29,914
Pension	-	40,079	40,079
Other personnel expenses	-	23,591	23,591
	<u>\$ 945</u>	<u>\$ 626,311</u>	<u>\$ 627,256</u>
Depreciation	<u>\$ -</u>	<u>\$ 14,828</u>	<u>\$ 14,828</u>
Amortization	<u>\$ 493,971</u>	<u>\$ 6,717</u>	<u>\$ 500,688</u>
	<b>2011</b>		
	<b>Operating Cost</b>	<b>Operating 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	-	25,589	25,589
	<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>

**19. EARNINGS PER SHARE**

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

	<b>Amounts (Numerator)</b>			<b>EPS (Dollars)</b>	
	<b>Income Before Income Tax</b>	<b>Net Income</b>	<b>Shares (Denominator) (Thousands)</b>	<b>Income Before Income Tax</b>	<b>Net Income</b>
<u>2012</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$6,090,774	\$4,930,477	300,000	<u>\$ 20.30</u>	<u>\$ 16.43</u>
Effect of dilutive potential common stock					
Bonus to employees	-	-	153		

Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$6,090,774</u>	<u>\$4,930,477</u>	<u>300,153</u>	<u>\$ 20.29</u>	<u>\$ 16.43</u>
<u>2011</u>					
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>

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.

## 20. 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 Motor India Private Limited	Same as above

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Nissan Asia Pacific Pte. Ltd.	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Shanghai Co., 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.	Same as above
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.	Same as above
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
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., 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
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
Yulon Management Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Nissan Motor Philippines, Inc. (NMPI)	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
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Nawa Insurance Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Hui-Lian Motor Co.	Same as above
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
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.
San Long Industrial Co., Ltd.	Equity-method investee of Y-teks, Co.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Taiway, Ltd.	Equity-method investee of Yulon
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.

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

	2012		2011	
	Amount	% to Total	Amount	% to Total
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 25,104,177	87	\$ 28,208,372	88
Yuan Lon Motor Co., Ltd.	349,684	1	343,044	1
Yu Chang Motor Co., Ltd.	330,144	1	323,246	1
Yu Sing Motor Co., Ltd.	289,889	1	283,632	1
Chi Ho Corporation	250,298	1	327,618	1
Hui-Lian Motor Co., Ltd.	244,235	1	214,065	1
Yushin Motor Co., Ltd.	242,224	1	217,673	1
Empower Motor Co., Ltd.	237,191	1	278,924	1
Yu Tang Motor Co., Ltd.	231,121	1	211,013	-
Chen Long Co., Ltd.	225,047	1	217,136	1
Nissan Motor Egypt S.A.E.	65,573	-	154,768	-
Others	655,001	1	747,465	2
	<u>\$ 28,224,584</u>	<u>97</u>	<u>\$ 31,526,956</u>	<u>98</u>

2) Operating revenue - service revenue



DongFeng Nissan Passenger Vehicles Co.	\$ 50,824	76	\$ -	-
Nissan	<u>16,271</u>	<u>24</u>	<u>11,354</u>	<u>100</u>
	<u>\$ 67,095</u>	<u>100</u>	<u>\$ 11,354</u>	<u>100</u>

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

	<u>2012</u>		<u>2011</u>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
3) Operating revenue - other				
Yulon	\$ 21,176	37	\$ 39,197	71
Singan Co., Ltd.	4,130	7	-	-
Hua-Chuang Automobile Information Technical Center Co., Ltd.	2,758	5	4,021	7
Others	<u>13,331</u>	<u>23</u>	<u>11,957</u>	<u>21</u>
	<u>\$ 41,395</u>	<u>72</u>	<u>\$ 55,175</u>	<u>99</u>

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

	<u>2012</u>		<u>2011</u>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
4) Operating cost - purchase				
Yulon	\$ 23,643,252	98	\$ 26,193,323	99
Nissan	129,681	1	13,261	-
Others	<u>62,905</u>	<u>-</u>	<u>60,292</u>	<u>-</u>
	<u>\$ 23,835,838</u>	<u>99</u>	<u>\$ 26,266,876</u>	<u>99</u>

5) Operating cost - Technical Cooperation Agreement ("TCA")				
Nissan	<u>\$ 449,129</u>	<u>100</u>	<u>\$ 447,442</u>	<u>100</u>

6) Operating expenses - rental				
Yulon	\$ 37,889	44	\$ 21,788	31
Ka-Plus Automobile Leasing Co., Ltd.	7,781	9	7,662	11
Sin Etke Technology Co., Ltd.	2,484	3	2,916	4
Hsieh Kuan Manpower Service Co., Ltd.	2,226	3	2,572	4
Tang Li Enterprise Co., Ltd.	1,338	2	1,273	2

Others	64	-	250	-
	<u>\$ 51,782</u>	<u>61</u>	<u>\$ 36,461</u>	<u>52</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.

	<u>2012</u>		<u>2011</u>	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Yu Chang Motor Co., Ltd.	\$ 193,295	9	\$ 211,103	8
Yu Sing Motor Co., Ltd.	188,231	9	220,941	8
Yuan Lon Motor Co., Ltd.	149,760	7	178,923	6
Empower Motor Co., Ltd.	138,519	6	132,901	5
Hui-Lian Motor Co., Ltd.	131,396	6	126,312	5
Yushin Motor Co., Ltd.	128,250	6	131,688	5
Chen Long Co., Ltd.	117,341	5	137,115	5
Yu Tang Motor Co., Ltd.	108,946	5	112,675	4
Chi Ho Corporation	85,140	4	117,984	4
Others	<u>154,495</u>	<u>7</u>	<u>422,117</u>	<u>16</u>
	<u>\$ 1,395,373</u>	<u>64</u>	<u>\$ 1,791,759</u>	<u>66</u>

8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 174,600	47	\$ 174,677	40
Chan Yun Technology Co., Ltd.	2,122	1	1,848	-
Tokio Marine Nawa Insurance Co., Ltd.	2,109	-	1,023	-
Others	<u>7,310</u>	<u>2</u>	<u>8,819</u>	<u>2</u>
	<u>\$ 186,141</u>	<u>50</u>	<u>\$ 186,367</u>	<u>42</u>

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

	<u>2012</u>		<u>2011</u>	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - research and development expense				

Yulon	\$	51,754	9	\$	40,521	7
Hsiang Shou Enterprise Co., Ltd.		22,304	4		23,044	4
Others		<u>5,497</u>	<u>-</u>		<u>6,132</u>	<u>2</u>
	\$	<u>79,555</u>	<u>13</u>	\$	<u>69,697</u>	<u>13</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.

	2012		2011	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income - gain on sale of molds				

Ashok Leyland Nissan Vehicles Ltd.	\$	<u>-</u>	<u>-</u>	\$	<u>150,483</u>	<u>100</u>
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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.

	2012		2011	
	Amount	% to Total	Amount	% to Total
11) Nonoperating income - others				

Yu Chang Motor Co., Ltd.	\$	-	-	\$	3,716	7
Yu Sing Motor Co., Ltd.		-	-		2,825	5
Yuan Lon Motor Co., Ltd.		-	-		2,681	5
Hua-Chuang Automobile Information Technical Center Co., Ltd.		-	-		2,537	5
Others		<u>-</u>	<u>-</u>		<u>15,000</u>	<u>28</u>
	\$	<u>-</u>	<u>-</u>	\$	<u>26,759</u>	<u>50</u>

12) Nonoperating expenses and losses - overseas business expense

Yulon Management Co., Ltd.	\$	14,876	41	\$	22,238	45
Sinjang Co., Ltd.		6,828	19		7,980	16
Visionary International Consulting Co., Ltd.		4,045	11		2,644	5
Others		<u>2,627</u>	<u>7</u>		<u>3,212</u>	<u>7</u>
	\$	<u>28,376</u>	<u>78</u>	\$	<u>36,074</u>	<u>73</u>

13) Nonoperating expenses and losses - others

Kian Shen Corporation	\$	226	4	\$	-	-
Others		<u>28</u>	<u>-</u>		<u>934</u>	<u>14</u>
	\$	<u>254</u>	<u>4</u>	\$	<u>934</u>	<u>14</u>

	<b>December 31</b>			
	<b>2012</b>		<b>2011</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	\$ 380,971	65	\$ 168,888	31
DongFeng Nissan Passenger Vehicle Co.	50,798	9	-	-
Nissan Motor Egypt S.A.E.	19,920	3	34,795	7
Yulon	17,389	3	8,291	1
Others	<u>116,097</u>	<u>20</u>	<u>326,133</u>	<u>61</u>
	<u>\$ 585,175</u>	<u>100</u>	<u>\$ 538,107</u>	<u>100</u>
15) Refundable deposits				
Ka-Plus Automobile Leasing Co., Ltd.	\$ 58,560	75	\$ -	-
Yulon	<u>17,600</u>	<u>23</u>	<u>17,600</u>	<u>90</u>
	<u>\$ 76,160</u>	<u>98</u>	<u>\$ 17,600</u>	<u>90</u>
16) Notes and accounts payable - related parties				
Yulon	\$ 1,006,585	53	\$ 1,106,477	70
Diamond Leasing Service Co., Ltd.	206,020	11	-	-
Nissan	193,192	10	99,227	6
DongFeng Nissan Passenger Vehicle Co.	125,456	7	-	-
Taiwan Acceptance Corporation	49,780	3	60,565	4
Others	<u>318,774</u>	<u>16</u>	<u>304,344</u>	<u>20</u>
	<u>\$ 1,899,807</u>	<u>100</u>	<u>\$ 1,570,613</u>	<u>100</u>

- 17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$2,079,532 thousand and \$2,026,390 thousand in 2012 and 2011, 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 \$1,270 thousand and \$1,188 thousand in 2012 and 2011, respectively.

- 18) The Company purchased other equipment which amounted to \$440 thousand and \$298 thousand for the years ended December 31, 2012 from Singgual Technology Co., Ltd. and Yulon, respectively. The other equipment was recorded under property, plant and equipment.
- 19) Related-party sales of property, plant and equipment for the year ended December 31, 2012 are summarized as follows:

	<u>Amount</u>	<u>Carrying Value</u>	<u>Gain on Disposal</u>
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 500	\$ 55	\$ 445

- 20) The Company signed molds contracts with Diamond Leasing Service Co., Ltd.

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$686,694 thousand and the installment payments will be disbursed according to the progress under the contract schedule. The types of car parts have not been produced until the end of December 2012. The Company had already paid \$267,131 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 dollars for every ten thousand of the accumulated amount paid for molds in prior year.

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

	<u>2012</u>	<u>2011</u>
DongFeng Nissan Passenger Vehicle Co.	\$ 125,456	\$ -
Uni Auto Parts Co., Ltd.	37,012	1,028
Yulon	35,878	18,008
Yueki Industrial Co., Ltd.	33,440	20,903
Y-teks, Co.	20,209	10,716
Kian Shen Corporation	16,309	9,776
Taiwan Calsonic Co., Ltd.	13,741	-
Others	<u>31,836</u>	<u>81,406</u>
	<u>\$ 313,881</u>	<u>\$ 141,837</u>

- 22) Compensation of directors, supervisors and management personnel:

	<u>2012</u>	<u>2011</u>
Salaries	\$ 31,118	\$ 31,914
Incentives	8,947	6,904
Bonus	<u>310</u>	<u>193</u>
	<u>\$ 40,375</u>	<u>\$ 39,011</u>

## 21. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2012 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, 2012, 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, 2012, 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:

<u>Year</u>	<u>Rental (Thousands)</u>
2013	\$ 2,508
2014	2,508
2015	2,508
2016	2,508
2017 and after	1,463

- d. The Company had commitments to buy computer equipment, other equipment, molds and dies for \$3,042 thousand, \$10,940 thousand, \$285,399 thousand and \$108,485 thousand, respectively.

## 22. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments:

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 781,628	\$ 781,628	\$ 743,912	\$ 743,912
Financial assets at fair value through profit or loss	-	-	2,262,001	2,262,001
Notes and accounts receivable	36,310	36,310	22,417	22,417
Notes and accounts receivable - related parties	585,175	585,175	538,107	538,107
Other financial assets	21,178	21,178	452,645	452,645
Long-term equity investments	23,891,801	23,891,801	19,069,822	19,069,822
Refundable deposits	77,775	77,775	19,650	19,650
Liabilities				
Short-term loans	200,000	200,000	-	-
Notes and accounts payable	147,796	147,796	144,530	144,530
Notes and accounts payable - related parties	1,899,807	1,899,807	1,570,613	1,570,613
Income tax payable	164,607	164,607	213,238	213,238
Accrued expenses	546,724	546,724	559,928	559,928
Accrued pension liabilities	492,980	492,980	469,180	469,180

### 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 received 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:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31		December 31	
	2012	2011	2012	2011
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$	-	\$ 2,201,855	\$ 60,146

- d. Valuation (losses) and gains arising from changes in fair value of financial instruments determined using valuation techniques were \$(1,428) thousand and \$406 thousand for the years ended December 31, 2012 and 2011, 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.



## 23. 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					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary item						
U.S. dollars	\$ 4,352	29.04	\$ 126,382	\$ 2,268	30.275	\$ 68,654
Japan yen	193,397	0.3364	65,059	238,705	0.3906	93,238
Long-term equity investments						
U.S. dollars	822,720	29.04	23,891,801	629,887	30.275	19,069,822
<u>Financial liabilities</u>						
Monetary item						
Japan yen	2,092	0.3364	704	29,158	0.3906	11,389
U.S. dollars	-	-	-	26,697	30.275	808,247
Philippine pesos	-	-	-	442	0.7078	313

## 24. 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

**25. OPERATING SEGMENTS INFORMATION**

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

**26. 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 as well as influences between the existing accounting policies, the summary of reconciliation converting to IFRSs, and the prospective accounting policies under IFRSs are presented in the consolidated financial statements.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

(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, 2012			Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	
Yulon Nissan Motor Company, Ltd.	<u>Stock</u>						
	Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	\$ 23,891,801	100.00	\$ 23,891,801 Note
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u>						
	Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 822,498	100.00	US\$ 822,498 Note
Jet Ford, Inc.	Share certificates						
	Aeolus Xiangyang Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 52,481	16.55	US\$ 50,483 Note
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 64,190	33.12	US\$ 64,190 Note
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 227,181	40.00	US\$ 228,003 Note
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 12,281	45.00	US\$ 12,281 Note
Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	Long-term equity investments	-	US\$ 1,304	49.00	US\$ 1,304 Note

Note: The carrying values and related investment income of the long-term investment were calculated based on the audited financial statements and percentage of ownership.

## 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, 2012  
 (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		Gain on Disposal	Ending Balance Shares (Thousands)	Amount (Note)
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount			
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates												
	Taishin Ta Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	13,952	\$190,000	3,642	\$ 50,000	17,594	\$241,969	\$ 1,969	-	\$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	19,224	279,978	9,551	140,000	28,775	422,278	2,300	-	-
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	16,142	229,625	8,394	120,000	24,536	351,482	1,857	-	-
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,546	240,000	3,827	50,000	22,373	293,059	3,059	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	8,212	100,000	15,583	190,000	23,795	290,400	400	-	-
	ING Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,185	50,000	7,590	120,000	10,775	170,391	391	-	-
	TIIM Money Market Fund	Financial assets at fair value through profit or loss	-	-	15,941	229,969	4,101	60,000	20,042	293,491	3,522	-	-
	PCA Well Pool Money Market Fund	Financial assets at fair value through profit or loss	-	-	12,220	160,000	10,659	140,000	22,879	301,648	1,648	-	-
	Cathay Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,947	120,000	9,947	120,047	47	-	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,285	220,000	580	100,000	1,865	322,399	2,399	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,360	100,000	6,360	100,416	416	-	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,215	50,000	4,483	70,000	7,698	120,258	258	-	-
Jet Ford, Inc.	Share certificates Aeolus Automobile Co., Ltd.	Long-term equity investments	-	Equity-method investee of Jet Ford, Inc.	-	345,322 (US\$10,890) (Note)	-	228,199 (US\$7,820) (Note)	-	-	-	-	573,521 (US\$18,710) (Note)

Note: Shown at their original investment amounts.

## 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, 2012

(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	\$ 23,643,252	98	180 days after sales for parts	\$ -	-	-	-	57	
	Nissan	Equity-method investor of the Company	Purchase	129,681	1	30 days after sales for vehicles	-	-	-	(979,019)	(115,784)	7
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	25,104,177	87	4 days after sales for parts	-	-	-	360,027	64	
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	349,684	1	3 days after sales for vehicles	-	-	-	6,146	1	
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	330,144	1	15 days after sales for parts	-	-	-	7,314	1	
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	289,889	1	Immediate payment for vehicles	-	-	-	-	-	
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	250,298	1	Same as above	-	-	-	1,151	-	
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	244,235	1	15 days after sales for parts	-	-	-	-	-	
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	242,224	1	90 days after sales for vehicles	-	-	-	-	-	
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	237,191	1	15 days after sales for parts	-	-	-	4,360	1	
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	231,121	1	Immediate payment for vehicles	-	-	-	6,183	1	
	Chen Long Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	225,047	1	Same as above	-	-	-	2,199	-	
										5,895	1	

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, 2012  
 (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	\$ 380,971	91.31	\$ -	-	\$ 380,971	\$ -

## 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, 2012

(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, 2012 Shares (Thousands)	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				December 31, 2012	December 31, 2011						
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100	\$23,891,801	\$ 5,585,608	\$ 5,585,608	Note 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc. Yi Hsing Corporation (Note 3)	British Virgin Islands Philippines	Investment Inquire of parts sales prices and commission-based business	US\$ 57,171	US\$ 57,171	71,772	100	US\$822,498	US\$188,850	US\$188,850	Note 2
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd. Aeolus Automobile Co., Ltd.	Hubei (Mainland China) Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services Developing and selling of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 52,481	US\$ 42,682	US\$ 6,630	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 18,710	US\$ 10,890	-	33.12	US\$ 64,190	US\$288,355	US\$ 89,464	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	-	40	US\$227,181	US\$204,268	US\$ 80,586	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars.	US\$ 593	US\$ 593	-	49	US\$ 12,281	US\$ 3,821	US\$ 1,719	Note 2

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

Note 2: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements and percentage of ownership.

Note 3: The Company invested in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. The operating activities of Yi Hsing Corporation had been terminated in February 2011; its liquidation had been completed on February 8, 2012.



# YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2012

(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, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2012	Accumulated Inward Remittances of Earnings as of December 31, 2012
					Outflow (Note 5)	Inflow					
Aeolus Xiangyang 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%	\$ 196,056 (US\$ 6,630)	\$ 1,524,037 (US\$ 52,481)	\$ -
Aeolus Automobile Co., Ltd. (Note 4)	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	345,522 (US\$ 10,890)	187,787 (US\$5,922)	-	533,109 (US\$ 16,812)	33.12%	2,645,730 (US\$ 89,464)	1,864,086 (US\$ 64,190)	-
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%	2,383,183 (US\$ 80,586)	6,597,339 (US\$ 227,181)	1,269,572 (US\$ 39,777)
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%	50,847 (US\$ 1,719)	356,640 (US\$ 12,281)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49%	5,083 (US\$ 172)	37,864 (US\$ 1,304)	-

Accumulated Investment in Mainland China as of December 31, 2012	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)	\$12,402,199

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

Note 2: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements and percentage of ownership.

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

Note 4: The Investment Commission, Ministry of Economic Affairs authorized Jet Ford Inc., a subsidiary of Yi-Jan Overseas Investment Co., to acquire 8.12 percent of the shares of Aeolus Automobile Co., Ltd. on December 14, 2011 and authorized investment implementation on July 2, 2012.

Note 5: In November 2011, Jet Ford Inc. disposed of its shares in Dong Feng Yulon Motors Sales Co., Ltd. and then invested the same amount of RMB49,000 thousand, which was equivalent to NT\$187,787 thousand (US\$5,922 thousand), in Aeolus Automobile Co., Ltd. in May 2012. The conversion was based on the exchange rate at the date of investment outflow from Taiwan.

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, 2012 and 2011, 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, 2012 and 2011, 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 20, 2013

**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, 2012 AND 2011

ASSETS	2012		2011	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 10,408,121	38	\$ 6,248,547	25
Financial assets at fair value through profit or loss (Notes 2 and 5)	-	-	2,262,001	9
Notes and accounts receivable (Notes 2 and 6)	36,554	-	22,417	-
Notes and accounts receivable - related parties (Note 20)	580,952	2	525,743	2
Dividends receivable (Note 9)	2,774,644	10	3,631,352	15
Other financial assets (Notes 7 and 9)	447,647	2	736,841	3
Inventories (Notes 2 and 8)	1,547	-	1,793	-
Prepayment	705,222	3	384,479	2
Deferred income tax assets, net (Notes 2 and 16)	34,289	-	34,168	-
Other current assets	<u>27</u>	-	<u>670</u>	-
Total current assets	<u>14,989,003</u>	<u>55</u>	<u>13,848,011</u>	<u>56</u>
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>10,379,966</u>	<u>38</u>	<u>9,310,797</u>	<u>38</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)</b>				
Cost				
Machinery and equipment	19,052	-	21,135	-
Transportation equipment	4,290	-	4,290	-
Tools	5,694	-	5,694	-
Computer equipment	85,064	1	83,468	-
Other equipment	82,255	-	83,639	1
Leasehold improvement	<u>3,441</u>	-	<u>5,763</u>	-
Total cost	199,796	1	203,989	1
Less accumulated depreciation	<u>162,615</u>	<u>1</u>	<u>167,014</u>	<u>1</u>
	37,181	-	36,975	-
Prepayments for equipment	<u>8,055</u>	-	<u>191</u>	-
Property, plant and equipment, net	<u>45,236</u>	-	<u>37,166</u>	-
<b>OTHER ASSETS</b>				
Refundable deposits (Note 20)	77,775	1	19,707	-
Deferred charges (Notes 2, 11 and 20)	<u>1,651,553</u>	<u>6</u>	<u>1,439,973</u>	<u>6</u>
Total other assets	<u>1,729,328</u>	<u>7</u>	<u>1,459,680</u>	<u>6</u>
<b>TOTAL</b>	<u>\$ 27,143,533</u>	<u>100</u>	<u>\$ 24,655,654</u>	<u>100</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term loan (Note 12)	\$ 200,000	1	\$ -	-
Accounts payable	147,796	1	144,530	1
Notes and accounts payable - related parties (Note 20)	1,899,807	7	1,570,472	6
Income tax payable (Notes 2 and 16)	164,607	1	213,240	1
Accrued expenses (Note 13)	546,724	2	560,057	2
Warranty (Note 2)	68,567	-	53,755	-
Other current liabilities	<u>120,461</u>	-	<u>156,516</u>	<u>1</u>
Total current liabilities	<u>3,147,962</u>	<u>12</u>	<u>2,698,570</u>	<u>11</u>
<b>OTHER LIABILITIES</b>				
Accrued pension liabilities (Notes 2 and 17)	492,980	2	469,180	2
Deferred tax liabilities, net (Notes 2 and 16)	2,751,941	10	1,836,821	8
Warranty (Note 2)	<u>80,318</u>	-	<u>87,599</u>	-
Total other liabilities	<u>3,325,239</u>	<u>12</u>	<u>2,393,600</u>	<u>10</u>
Total liabilities	<u>6,473,201</u>	<u>24</u>	<u>5,092,170</u>	<u>21</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>11</u>	<u>3,000,000</u>	<u>12</u>
Capital surplus				
Excess from spin-off	5,986,507	22	5,986,507	24
Gains on long-term investments	<u>142,898</u>	<u>1</u>	<u>2,461</u>	-
Total capital surplus	<u>6,129,405</u>	<u>23</u>	<u>5,988,968</u>	<u>24</u>
Retained earnings				
Legal reserve	1,764,839	7	1,381,683	6
Special reserve	379,840	1	379,840	1
Unappropriated earnings	<u>9,836,160</u>	<u>36</u>	<u>8,348,839</u>	<u>34</u>
Total retained earnings	<u>11,980,839</u>	<u>44</u>	<u>10,110,362</u>	<u>41</u>
Cumulative translation adjustments	<u>(439,912)</u>	<u>(2)</u>	<u>464,154</u>	<u>2</u>
Total stockholders' equity	<u>20,670,332</u>	<u>76</u>	<u>19,563,484</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 27,143,533</u>	<u>100</u>	<u>\$ 24,655,654</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, 2012 AND 2011  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
SALES (Note 20)	\$ 29,140,783	100	\$ 32,124,700	100
LESS: SALES RETURNS	4,296	-	6,449	-
SALES ALLOWANCE	<u>1,957</u>	<u>-</u>	<u>2,900</u>	<u>-</u>
NET SALES	29,134,530	100	32,115,351	100
COST OF SALES (Note 20)	<u>25,105,630</u>	<u>86</u>	<u>27,380,203</u>	<u>85</u>
GROSS PROFIT	<u>4,028,900</u>	<u>14</u>	<u>4,735,148</u>	<u>15</u>
OPERATING EXPENSES (Note 20)				
Marketing and selling	2,162,011	8	2,696,091	9
General and administrative	399,738	1	441,758	1
Research and development	<u>607,333</u>	<u>2</u>	<u>548,586</u>	<u>2</u>
Total operating expenses	<u>3,169,082</u>	<u>11</u>	<u>3,686,435</u>	<u>12</u>
OPERATING INCOME	<u>859,818</u>	<u>3</u>	<u>1,048,713</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	5,280,899	18	2,157,654	7
Interest income	234,014	1	57,092	-
Foreign exchange gain, net	98,214	-	1,156,942	4
Gain on sale of investments, net	18,589	-	15,532	-
Gain on disposal of property, plant and equipment (Note 20)	445	-	-	-
Gain from valuation of financial assets	-	-	13,711	-
Gain on sale of molds (Note 20)	-	-	150,483	-
Others (Note 20)	<u>1,270</u>	<u>-</u>	<u>55,198</u>	<u>-</u>
Total nonoperating income and gains	<u>5,633,431</u>	<u>19</u>	<u>3,606,612</u>	<u>11</u>
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Note 11)	357,963	1	-	-
Overseas business expense (Note 20)	36,459	-	49,632	-
Interest expense (Note 20)	1,944	-	1,188	-
Losses on disposal of property, plant and equipment	265	-	71	-
Others (Note 20)	<u>5,837</u>	<u>-</u>	<u>6,527</u>	<u>-</u>
Total nonoperating expenses and losses	<u>402,468</u>	<u>1</u>	<u>57,418</u>	<u>-</u>

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
 YEARS ENDED DECEMBER 31, 2012 AND 2011  
 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 6,090,781	21	\$ 4,597,907	14
INCOME TAX EXPENSE (Notes 2 and 16)	<u>1,160,304</u>	<u>4</u>	<u>766,342</u>	<u>2</u>
NET INCOME	<u>\$ 4,930,477</u>	<u>17</u>	<u>\$ 3,831,565</u>	<u>12</u>
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 20.30</u>	<u>\$ 16.43</u>	<u>\$ 15.33</u>	<u>\$ 12.77</u>
Diluted	<u>\$ 20.29</u>	<u>\$ 16.43</u>	<u>\$ 15.30</u>	<u>\$ 12.75</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, 2012 AND 2011

	Capital Stock		Capital Surplus (Notes 2 and 14)		
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total
BALANCE, JANUARY 1, 2011	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	300,000	3,000,000	5,986,507	2,461	5,988,968
Appropriation of 2011 earnings					
Legal reserve	-	-	-	-	-
Cash dividend - \$10.2 per share	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	-	140,437	140,437
Net income in 2012	-	-	-	-	-
Equity in the investees' translation adjustments	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	<u>300,000</u>	<u>\$3,000,000</u>	<u>\$5,986,507</u>	<u>\$ 142,898</u>	<u>\$6,129,405</u>



(In Thousands of New Taiwan Dollars)

Legal Reserve	Retained Earnings (Notes 2 and 14)			Cumulative Translation Adjustments (Notes 2 and 14)	Total Stockholders' Equity
	Special Reserve	Unappropriated Earnings	Total		
\$ 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
1,381,683	379,840	8,348,839	10,110,362	464,154	19,563,484
383,156	-	(383,156)	-	-	-
-	-	(3,060,000)	(3,060,000)	-	(3,060,000)
-	-	-	-	-	140,437
-	-	4,930,477	4,930,477	-	4,930,477
-	-	-	-	(904,066)	(904,066)
<u>\$ 1,764,839</u>	<u>\$ 379,840</u>	<u>\$ 9,836,160</u>	<u>\$ 11,980,839</u>	<u>\$ (439,912)</u>	<u>\$ 20,670,332</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, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,930,477	\$ 3,831,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	515,516	485,841
Impairment loss	357,963	-
Gain on sale of investments, net	(18,589)	(15,532)
Equity in net income of investees	(5,280,899)	(2,157,654)
Cash dividends from equity-method investees	4,626,267	4,956,603
Gain from valuation of financial assets	-	(13,711)
Loss (gain) on disposal of property, plant and equipment	(180)	71
Realized exchange gain of foreign-currency cash dividends	(85,464)	(1,009,693)
Deferred income taxes	914,958	670,363
Provision for pension costs	23,800	19,594
Provision for loss on inventory purchase commitment	(42,458)	57,785
Provision for warranty liabilities	7,531	34,200
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	2,280,911	(175,630)
Notes and accounts receivable	(14,137)	4,042
Notes and accounts receivable - related parties	(55,209)	(203,090)
Other financial assets	649,554	101,161
Inventories	246	(777)
Prepayments	(320,743)	(379,913)
Other current assets	643	(424)
Notes and accounts payable	(24,675)	63,011
Notes and accounts payable - related parties	86,565	494,912
Income tax payable	(48,633)	162,253
Accrued expenses	(13,333)	73,470
Other current liabilities	6,403	2,375
Net cash provided by operating activities	8,496,514	7,000,822
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in long-term equity investment	(228,199)	-
Acquisitions of property, plant and equipment	(23,218)	(12,455)
Proceeds from disposal of property, plant and equipment	500	-
Increase in refundable deposits	(58,068)	(16,973)
Increase in deferred charges	(799,520)	(469,089)
Net cash used in investing activities	(1,108,505)	(498,517)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	\$ 200,000	\$ -
Cash dividend paid	<u>(3,060,000)</u>	<u>(1,680,000)</u>
Net cash used in financing activities	<u>(2,860,000)</u>	<u>(1,680,000)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(368,435)</u>	<u>222,665</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,159,574	5,044,970
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,248,547</u>	<u>1,203,577</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 10,408,121</u>	<u>\$ 6,248,547</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for		
Interest	<u>\$ 1,919</u>	<u>\$ 1,193</u>
Income tax	<u>\$ 293,947</u>	<u>\$ 77,075</u>

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

(Concluded)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

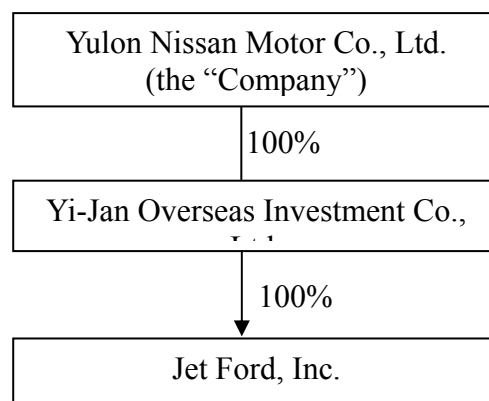
Yulon Nissan Motor Company, Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in November 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October 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, 2012, the investment relationship between the Company and its subsidiaries and percentages of ownership were as follows:



As of December 31, 2012 and 2011, the Company and subsidiaries both employed 425 employees.

## 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 those received in the year of investments) are recognized as income for the year. All regular way purchases or sales of financial assets is recognized and derecognized on a settlement date basis.

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**

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 amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate. 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 additions and improvements 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 applies the intra-year and inter-year allocation methods to its income tax. Under this method, deferred income tax is recognized the tax effects of temporary differences, unused loss carryforward and unused investment tax credits. 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.

#### 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."

### 4. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	3,816,296	1,156,621
Time deposits, annual yield rate - 2012: 0.88%-5.00%; 2011: 0.05%-5.00%	<u>6,591,805</u>	<u>5,091,906</u>
	<u>\$ 10,408,121</u>	<u>\$ 6,248,547</u>

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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Financial assets held for trading		
Mutual funds	<u>\$ -</u>	<u>\$ 2,262,001</u>

Net gain (loss) on financial assets held for trading in 2012 and 2011 was \$18,910 thousand and \$(24,377) thousand, respectively.

**6. NOTES AND ACCOUNTS RECEIVABLE**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Notes receivable	\$ -	\$ 430
Accounts receivable	<u>36,554</u>	<u>21,987</u>
	<u>\$ 36,554</u>	<u>\$ 22,417</u>

**7. OTHER FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Receivable on sale of investments	\$ 223,915	\$ 233,438
Interest receivable	202,558	50,789
Receivable on sale of securities	10,483	437,949
Others	<u>10,691</u>	<u>14,665</u>
	<u>\$ 447,647</u>	<u>\$ 736,841</u>

**8. INVENTORIES**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Parts	<u>\$ 1,547</u>	<u>\$ 1,793</u>

The cost of inventories recognized as cost of sales in 2012 was \$25,105,630 thousand, which included warranty cost of \$57,835 thousand and reversal of loss on inventory purchase commitment of \$42,458 thousand. 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.

**9. LONG-TERM EQUITY INVESTMENTS**

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Equity method				
Guangzhou Aeolus Automobile Co., Ltd.	\$ 6,597,339	40.00	\$ 5,958,828	40.00
Aeolus Automobile Co., Ltd.	1,864,086	33.12	699,457	25.00
Aeolus Xiangyang Automobile Co., Ltd.	1,524,037	16.55	2,299,325	16.55

Shenzhen Lan You Technology Co., Ltd.	356,640	45.00	318,985	45.00
Dong Feng Yulon Used Cars Co., Ltd.	<u>37,864</u>	49.00	<u>34,202</u>	49.00
	<u>\$ 10,379,966</u>		<u>\$ 9,310,797</u>	

Jet Ford Inc., a subsidiary of Yi-Jan Overseas Investment Co., Ltd. originally acquired 25 percent of shares of Aeolus Automobile Co., Ltd. and the investment amount was US\$10,890 thousand. Jet Ford Inc. further acquired another 8.12 percent of shares of Aeolus Automobile Co., Ltd. in May 2012, and the investment amount was US\$7,820 thousand. As of December 31, 2012, the accumulated investment amount was US\$18,710 thousand.

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\$223,915 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.

Guangzhou Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB252,800 thousand (NT\$1,165,506 thousand) to Jet Ford, Inc. in November 2012; Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB349,085 thousand (NT\$1,609,138 thousand) to Jet Ford, Inc. in November 2012. As of December 31, 2012, the abovementioned cash dividends have not been received; thus, accounted as dividend receivable.

The Group indirectly owns the following companies:

Investee	Percentage of Ownership	Accumulated Investment Amount (In Thousands) as of December 31, 2012
Aeolus Xiangyang Automobile Co., Ltd.	16.55	US\$ 21,700
Aeolus Automobile Co., Ltd.	33.12	18,710
Guangzhou Aeolus Automobile Co., Ltd.	40.00	16,941
Shenzhen Lan You Technology Co., Ltd.	45.00	1,125
Dong Feng Yulon Used Cars Co., Ltd.	49.00	<u>593</u>
		<u>US\$ 59,069</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2012	2011
Accumulated depreciation		
Machinery and equipment	\$ 15,952	\$ 17,282
Transportation equipment	4,100	3,983
Tools	4,935	4,435
Computer equipment	69,031	70,098
Other equipment	66,618	67,650

Leasehold improvement	<u>1,979</u>	<u>3,566</u>
	<u>\$ 162,615</u>	<u>\$ 167,014</u>

Depreciation of property, plant and equipment amounted to \$14,828 thousand in 2012 and \$16,058 thousand in 2011.

## 11. DEFERRED CHARGES

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Molds	\$ 1,269,210	\$ 1,178,416
Dies	370,974	248,817
Computer software	<u>11,369</u>	<u>12,740</u>
	<u>\$ 1,651,553</u>	<u>\$ 1,439,973</u>

Amortization of deferred charges amounted to \$500,688 thousand and \$469,783 thousand in 2012 and 2011, respectively.

The Company recognized an impairment loss of \$357,963 thousand on molds and dies in 2012 because of the decline in sales of certain vehicles, which caused a decrease in cash inflows from the use of the related molds and dies and resulted in the recoverable amount of the molds and dies being lower than carrying amount. The recoverable amount of the molds and dies was based on value in use, determined using a discount rate of 15.28%.

## 12. SHORT-TERM LOANS

The short-term loans were credit loans from Hua Nan Bank with annual interest rate of 1.15% as of December 31, 2012.

## 13. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Wages and bonuses	\$ 299,814	\$ 270,506
Promotion expenses	110,068	165,257
Others	<u>136,842</u>	<u>124,294</u>
	<u>\$ 546,724</u>	<u>\$ 560,057</u>

## 14. 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, the capital surplus from shares issued in excess of par (i.e., excess from spin-off) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options 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) 0.1% 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, 2012 was calculated at 0.76% 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, 2011 was calculated at 1.20% of net income net of the 10% deduction for legal reserve.

If the estimated bonus is different from the proposal for the distributions of earnings proposed by the board of directors, the difference will be adjusted to the expense of current year. If the estimated bonus is different from the amount approved by the stockholders, the difference will be recognized as expense 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, Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 2011 earnings of the Company approved by the stockholders on June 13, 2012 and the distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 were as follows:

	<u>Appropriation of Earnings</u>		<u>Earnings Per Share</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Legal reserve	\$ 383,156	\$ 288,390		
Cash dividend	3,060,000	1,680,000	\$ 10.20	\$ 5.60

The cash bonus to employees of \$41,500 thousand for 2011 was approved in stockholders' meeting on June 13, 2012. The approved amount of the cash bonus to employees was not different from the accrual amount of \$41,500 thousand reflected in the financial statements for the year ended December 31, 2011.

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.

As of March 20, 2013, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2012 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2012 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, 2012, the changes in cumulative translation adjustments were as follows:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 464,154	\$ 217,579
Reclassified to profit or loss item	(85,464)	(1,009,693)
Recognized in adjustment of equity	<u>(818,602)</u>	<u>1,256,268</u>
Balance, end of year	<u>\$ (439,912)</u>	<u>\$ 464,154</u>

## 15. 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 \$449,129 thousand in 2012 and \$447,442 thousand in 2011, were recorded under cost of sales.

## 16. 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:

	<u>2012</u>	<u>2011</u>
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 1,035,431	\$ 781,644
Add (deduct) tax effects of:		
Permanent differences	5,222	13,337
Temporary differences	(914,993)	(591,554)
Additional tax on retained earnings (10%)	122,841	91,551
Loss carryforwards used	-	(40,468)
Investment tax credits	<u>-</u>	<u>(45,093)</u>
Income tax payable	<u>\$ 248,501</u>	<u>\$ 209,417</u>

The balance of the income tax payable shown on the balance sheet as of December 31, 2012 was net of prepaid income tax.

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 year.

Income tax returns through 2010 had been examined by the tax authorities.

- b. Income tax expense consisted of the following:

	<u>2012</u>	<u>2011</u>
Income tax payable	\$ 248,501	\$ 209,417
Deferred income tax	914,958	670,363
Prior year's income tax adjustments	<u>(3,155)</u>	<u>(113,438)</u>
Income tax expense	<u>\$ 1,160,304</u>	<u>\$ 766,342</u>

The prior years' income tax adjustments recognized in 2011 arose from tax exemptions from 2004 to 2007 as re-examined by tax authorities.

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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Current		
Loss on inventory purchase commitment	\$ 13,835	\$ 21,053
Provision for warranty	11,656	9,139
Unrealized foreign exchange loss	4,985	3,976
Government subsidy difference between financial accounting and taxation	3,813	-
Loss carryforwards	<u>-</u>	<u>184</u>
	34,289	34,352
Less: Valuation allowances	<u>-</u>	<u>184</u>
Deferred income tax assets	<u>\$ 34,289</u>	<u>\$ 34,168</u>
Noncurrent		
Provision for pension	\$ 83,726	\$ 79,868
Impairment loss difference between financial accounting and taxation	78,193	43,954
Provision for warranty	13,654	14,891
Investment tax credits	-	2,427
Equity in net income of overseas subsidiaries	<u>(2,927,514)</u>	<u>(1,977,961)</u>
Net deferred income tax liabilities	<u>\$ (2,751,941)</u>	<u>\$ (1,836,821)</u>

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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Balance of imputation credit account ("ICA")	<u>\$ 344,571</u>	<u>\$ 219,689</u>

The Company estimated ICA rate for the 2012 earnings as of December 31, 2012 and the actual ICA rate for the 2011 earnings were 5.18% and 4.91%, 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, 2012 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.

## 17. 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 \$12,335 thousand and \$11,240 thousand in 2012 and 2011, respectively. Accrued pension liabilities under defined contribution plan amounted to \$2,127 thousand and \$1,021 thousand as of December 31, 2012 and 2011, 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, 2012, 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, 2012 and 2011 is summarized as follows:

a. Net pension cost was as follows:

	<u>2012</u>	<u>2011</u>
Service cost	\$ 6,060	\$ 6,766
Interest cost	10,863	10,971
Expected return of pension assets	(168)	(106)
Amortization	<u>12,004</u>	<u>12,004</u>
Net pension cost	<u>\$ 28,759</u>	<u>\$ 29,635</u>

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

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Benefit obligations:		
Vested benefit obligation	\$ 249,537	\$ 211,186
Non-vested benefit obligation	184,361	196,675
Accumulated benefit obligation	433,898	407,861
Additional benefits based on future salaries	132,872	135,278
Projected benefit obligation	566,770	543,139
Fair value of plan assets	<u>(8,561)</u>	<u>(5,458)</u>
Funded status	558,209	537,681
Prior service cost	(17,407)	(19,912)
Benefit obligations:		
Unrecognized net transition obligation	(23,022)	(32,521)
Unrecognized net loss	<u>(26,927)</u>	<u>(17,089)</u>
Accrued pension liability	<u>\$ 490,853</u>	<u>\$ 468,159</u>

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
c. Vested benefits	<u>\$ 313,472</u>	<u>\$ 276,202</u>
d. Actuarial assumptions		
Discount rate	1.875%	2.000%
Rate of salary increase	2.500%	2.500%
Expected rate of return on plan assets	1.875%	2.000%
e. Contributions and payments		
	<b>2012</b>	<b>2011</b>
Contributions	<u>\$ 6,065</u>	<u>\$ 5,855</u>
Payments	<u>\$ 3,109</u>	<u>\$ 6,187</u>

## 18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>2012</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ 945	\$ 532,727	\$ 533,672
Labor and health insurance	-	29,914	29,914
Pension	-	40,079	40,079
Other personnel expenses	<u>-</u>	<u>23,591</u>	<u>23,591</u>
	<u>\$ 945</u>	<u>\$ 626,311</u>	<u>\$ 627,256</u>
Depreciation	<u>\$ -</u>	<u>\$ 14,828</u>	<u>\$ 14,828</u>
Amortization	<u>\$ 493,971</u>	<u>\$ 6,717</u>	<u>\$ 500,688</u>
	<b>2011</b>		
	<b>Operating Cost</b>	<b>Operating 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>

## 19. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2012</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 6,090,774	\$ 4,930,477	300,000	<u>\$ 20.30</u>	<u>\$ 16.43</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>153</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 6,090,774</u>	<u>\$ 4,930,477</u>	<u>300,153</u>	<u>\$ 20.29</u>	<u>\$ 16.43</u>
<u>2011</u>					
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>

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.

## 20. RELATED-PARTY TRANSACTIONS

The Group 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 Motor India Private Limited	Same as above
Nissan Asia Pacific Pte. Ltd.	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Shanghai Co., 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.	Same as above
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.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., 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
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
Yulon Management Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Nissan Motor Philippines, Inc. (NMPI)	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)

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Uni Calsonic Corporation	Equity-method investee of Yulon
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	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
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
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.
San Long Industrial Co., Ltd.	Equity-method investee of Y-teks, Co.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Taiway, Ltd.	Equity-method investee of Yulon
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.

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>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 25,104,177	87	\$ 28,208,372	88
Yuan Lon Motor Co., Ltd.	349,684	1	343,044	1
Yu Chang Motor Co., Ltd.	330,144	1	323,246	1
Yu Sing Motor Co., Ltd.	289,889	1	283,632	1
Chi Ho Corporation	250,298	1	327,618	1
Hui-Lian Motor Co., Ltd.	244,235	1	214,065	1
Yushin Motor Co., Ltd.	242,224	1	217,673	1

Empower Motor Co., Ltd.	237,191	1	278,924	1
Yu Tang Motor Co., Ltd.	231,121	1	211,013	-
Chen Long Co., Ltd.	225,047	1	217,136	1
Nissan Motor Egypt S.A.E.	65,573	-	154,768	-
Others	<u>655,001</u>	<u>1</u>	<u>747,465</u>	<u>2</u>
	<u>\$ 28,224,584</u>	<u>97</u>	<u>\$ 31,526,956</u>	<u>98</u>

2) Operating revenue - service revenue

Dongfeng Nissan Passenger Vehicle Co.	\$ 50,824	76	\$ -	-
Nissan	<u>16,271</u>	<u>24</u>	<u>11,354</u>	<u>100</u>
	<u>\$ 67,095</u>	<u>100</u>	<u>\$ 11,354</u>	<u>100</u>

The Company designs and performs R&D of car for Dongfeng Nissan Passenger Vehicle Co. and Nissan service revenue is recognized according to the related contracts.

2012		2011	
Amount	% to Total	Amount	% to Total

3) Operating revenue - other

Yulon	\$ 21,176	37	\$ 39,197	71
Singan Co., Ltd.	4,130	7	-	-
Hua-Chuang Automobile Information Technical Center Co., Ltd.	2,758	5	4,021	7
Others	<u>13,331</u>	<u>23</u>	<u>11,957</u>	<u>21</u>
	<u>\$ 41,395</u>	<u>72</u>	<u>\$ 55,175</u>	<u>99</u>

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

2012		2011	
Amount	% to Total	Amount	% to Total

4) Operating cost - purchase

Yulon	\$ 23,643,252	98	\$ 26,193,323	99
Nissan	129,681	1	13,261	-
Others	<u>62,905</u>	<u>-</u>	<u>60,292</u>	<u>-</u>
	<u>\$ 23,835,838</u>	<u>99</u>	<u>\$ 26,266,876</u>	<u>99</u>

	2012		2011	
	Amount	% to Total	Amount	% to Total
5) Operating cost - Technical Cooperation Agreement (“TCA”)				
Nissan	\$ 449,129	100	\$ 447,442	100
6) Operating expenses - rental				
Yulon	\$ 37,889	44	\$ 21,788	31
Ka-Plus Automobile Leasing Co., Ltd.	7,781	9	7,662	11
Sin Etke Technology Co., Ltd.	2,484	3	2,916	4
Hsieh Kuan Manpower Service Co., Ltd.	2,226	3	2,572	4
Tang Li Enterprise Co., Ltd.	1,338	2	1,273	2
Others	64	-	250	-
	<u>\$ 51,782</u>	<u>61</u>	<u>\$ 36,461</u>	<u>52</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.

	2012		2011	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Yu Chang Motor Co., Ltd.	\$ 193,295	9	\$ 211,103	8
Yu Sing Motor Co., Ltd.	188,231	9	220,941	8
Yuan Lon Motor Co., Ltd.	149,760	7	178,923	6
Empower Motor Co., Ltd.	138,519	6	132,901	5
Hui-Lian Motor Co., Ltd.	131,396	6	126,312	5
Yushin Motor Co., Ltd.	128,250	6	131,688	5
Chen Long Co., Ltd.	117,341	5	137,115	5
Yu Tang Motor Co., Ltd.	108,946	5	112,675	4
Chi Ho Corporation	85,140	4	117,984	4
Others	154,495	7	422,117	16
	<u>\$ 1,395,373</u>	<u>64</u>	<u>\$ 1,791,759</u>	<u>66</u>

## 8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 174,600	44	\$ 174,677	40
Chan Yun Technology Co., Ltd.	2,122	1	1,848	-
Tokio Marine Nawa Insurance Co., Ltd.	2,109	-	1,023	-
Others	<u>7,310</u>	<u>2</u>	<u>8,819</u>	<u>2</u>
	<u>\$ 186,141</u>	<u>47</u>	<u>\$ 186,367</u>	<u>42</u>

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

	<u>2012</u>		<u>2011</u>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
9) Operating expenses - research and development expense				
Yulon	\$ 51,754	9	\$ 40,521	7
Hsiang Shou Enterprise Co., Ltd.	22,304	4	23,044	4
Others	<u>5,497</u>	<u>-</u>	<u>6,132</u>	<u>2</u>
	<u>\$ 79,555</u>	<u>13</u>	<u>\$ 69,697</u>	<u>13</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.

	<u>2012</u>		<u>2011</u>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
10) Nonoperating income - gain on sale of molds				
Ashok Leyland Nissan Vehicles Ltd.	<u>\$ -</u>	<u>-</u>	<u>\$ 150,483</u>	<u>100</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>2012</u>		<u>2011</u>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
11) Nonoperating income - others				
Yu Chang Motor Co., Ltd.	\$ -	-	\$ 3,716	7
Yu Sing Motor Co., Ltd.	-	-	2,825	5
Yuan Lon Motor Co., Ltd.	-	-	2,681	5
Hua-Chuang Automobile Information	-	-	2,537	4



Technical Center Co., Ltd.				
Others	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>27</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 26,759</u>	<u>48</u>
12) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	\$ 14,876	41	\$ 22,238	45
Sinjang Co., Ltd.	6,828	19	7,980	16
Visionary International Consulting Co., Ltd.	4,045	11	2,644	5
Others	<u>2,627</u>	<u>7</u>	<u>3,212</u>	<u>7</u>
	<u>\$ 28,376</u>	<u>78</u>	<u>\$ 36,074</u>	<u>73</u>
13) Nonoperating expenses and losses - others				
Kian Shen Corporation	\$ 226	4	\$ -	-
Others	<u>28</u>	<u>-</u>	<u>934</u>	<u>14</u>
	<u>\$ 254</u>	<u>4</u>	<u>\$ 934</u>	<u>14</u>
<b>December 31</b>				
<b>2012</b>				
<b>2011</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	\$ 380,971	66	\$ 168,888	32
Dongfeng Nissan Passenger Vehicle Co.	50,798	9	-	-
Nissan Motor Egypt S.A.E.	19,920	3	34,795	7
Yulon.	17,389	3	8,291	2
Others	<u>111,874</u>	<u>19</u>	<u>313,769</u>	<u>59</u>
	<u>\$ 580,952</u>	<u>100</u>	<u>\$ 525,743</u>	<u>100</u>
15) Refundable deposits				
Ka-Plus Automobile Leasing Co., Ltd.	\$ 58,560	75	\$ -	-
Yulon	17,600	23	17,600	89
NMPI	<u>-</u>	<u>-</u>	<u>57</u>	<u>1</u>
	<u>\$ 76,160</u>	<u>98</u>	<u>\$ 17,657</u>	<u>90</u>
16) Notes and accounts payable - related parties				

Yulon	\$ 1,006,585	53	\$ 1,106,477	70
Diamond Leasing Service Co., Ltd.	206,020	11	-	-
Nissan	193,192	10	99,227	6
Dong Feng Nissan Passenger Vehicle Co.	125,456	7	-	-
Taiwan Acceptance Corporation	49,780	3	60,565	4
Others	<u>318,774</u>	<u>16</u>	<u>304,203</u>	<u>20</u>
	<u>\$ 1,899,807</u>	<u>100</u>	<u>\$ 1,570,472</u>	<u>100</u>

17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$2,079,532 thousand and \$2,026,390 thousand in 2012 and 2011, 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 \$1,270 thousand and \$1,188 thousand in 2012 and 2011, respectively.

18) The Company purchased other equipment which amounted to \$440 thousand and \$298 thousand for the year ended December 31, 2012 from Singgual Technology Co., Ltd. and Yulon, respectively. The other equipment was recorded under property, plant and equipment.

19) Related-party sales of property, plant and equipment for the year ended December 31, 2012 are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 500	\$ 55	\$ 445

20) The Company signed molds contracts with Diamond Leasing Service Co., Ltd.

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$686,694 thousand and the installment payments will be disbursed according to the progress under the contract schedule. The types of car parts have not been produced until the end of December 2012. The Company had already paid \$267,131 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 dollars for every ten thousand of the accumulated amount paid for molds in prior year.

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

	<u>2012</u>	<u>2011</u>
Dong Feng Nissan Passenger Vehicle Co.	\$ 125,456	\$ -

Uni Auto Parts Co., Ltd.	37,012	1,028
Yulon	35,878	18,008
Yueki Industrial Co., Ltd.	33,440	20,903
Y-teks, Co.	20,209	10,716
Kian Shen Corporation	16,309	9,776
Taiwan Calsonic Co., Ltd.	13,741	-
Others	<u>31,836</u>	<u>81,406</u>
	<u>\$ 313,881</u>	<u>\$ 141,837</u>

22) Compensation of directors, supervisors and management personnel:

	<u>2012</u>	<u>2011</u>
Salaries	\$ 31,118	\$ 31,914
Incentives	8,947	6,904
Bonuses	<u>310</u>	<u>193</u>
	<u>\$ 40,375</u>	<u>\$ 39,011</u>

## 21. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company and subsidiaries as of December 31, 2012 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, 2012, 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, 2012, 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 (Thousands)
2013	\$ 2,508
2014	2,508
2015	2,508
2016	2,508
2017 and after	1,463

- d. The Company had commitments to buy computer equipment, other equipment, molds and dies for \$3,042 thousand, \$10,940 thousand, \$285,399 thousand and \$108,485 thousand, respectively.

## 22. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash and cash equivalents	\$ 10,408,121	\$ 10,408,121	\$ 6,248,547	\$ 6,248,547
Financial assets at fair value through profit or loss	-	-	2,262,001	2,262,001
Notes and accounts receivable	36,554	36,554	22,417	22,417
Notes and accounts receivable - related parties	580,952	580,952	525,743	525,743
Dividends receivable	2,774,644	2,774,644	3,631,352	3,631,352
Other financial assets	447,647	447,647	736,841	736,841
Long-term equity investments	10,379,966	10,345,825	9,310,797	9,228,219
Refundable deposits	77,775	77,775	19,707	19,707
Liabilities:				
Short-term loans	200,000	200,000	-	-
Accounts payable	147,796	147,796	144,530	144,530
Notes and accounts payable - related parties	1,899,807	1,899,807	1,570,472	1,570,472
Income tax payable	164,607	164,607	213,240	213,240
Accrued expenses	546,724	546,724	560,057	560,057
Accrued pension liabilities	492,980	492,980	469,180	469,180

- 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 received 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 Market Price</b>		<b>Amount Determined Using Valuation Techniques</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ -	\$ 2,201,855	\$ -	\$ 60,146

- d. Valuation (losses) and gains arising from changes in fair value of financial instruments determined using valuation techniques was \$(1,428) thousand and \$406 thousand for the years ended December 31, 2012 and 2011, 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.

## **23. 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					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary item						
RMB	\$ 2,049,955	4.6171	\$ 9,464,847	\$ 1,134,878	4.8049	\$ 5,452,939
U.S. dollars	16,733	29.04	485,916	4,691	30.275	142,014
Japan Yen	193,397	0.3364	65,059	238,980	0.3906	93,346
Philippine pesos	-	-	-	2,960	0.7078	2,095
Long-term equity investments						
U.S. dollars	\$ 356,261	29.04	\$ 10,345,825	\$ 304,813	30.275	\$ 9,228,219
<u>Financial liabilities</u>						
Monetary item						
Japan Yen	2,092	0.3364	704	29,158	0.3906	11,389
U.S. dollars	-	-	-	26,697	30.275	808,247
Philippine pesos	-	-	-	426	0.7078	302

## 24. 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. 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

## 25. 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, 2012					Unappropri- ated Amounts	Total
	Vehicle Segment	Parts Segment	Investment Segment	Other Segment	Adjustment		
Revenue from external customers	<u>\$ 25,563,983</u>	<u>\$ 3,445,959</u>	<u>\$ 5,280,899</u>	<u>\$ 124,588</u>	<u>\$(5,280,899)</u>	<u>\$</u>	<u>\$ 29,134,530</u>
Segment income	<u>\$ 465,627</u>	<u>\$ 609,754</u>	<u>\$ 5,244,440</u>	<u>\$ (229,040)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,090,781</u>
Segment assets	<u>\$ 1,580,201</u>	<u>\$ 2,678</u>	<u>\$ 10,379,966</u>	<u>\$ 32,022</u>	<u>\$</u>	<u>\$ 15,148,666</u>	<u>\$ 27,143,533</u>

Item	Year Ended December 31, 2011					Unappropri- ated Amounts	Total
	Vehicle Segment	Parts Segment	Investment Segment	Other Segment	Adjustment		
Revenue from external customers	<u>\$28,581,276</u>	<u>\$ 3,467,396</u>	<u>\$ 2,157,654</u>	<u>\$ 66,679</u>	<u>\$(2,157,654)</u>	<u>\$ -</u>	<u>\$ 32,115,351</u>
Segment income	<u>\$ 764,300</u>	<u>\$ 646,831</u>	<u>\$ 2,108,022</u>	<u>\$ 1,078,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,597,907</u>
Segment assets	<u>\$ 1,429,851</u>	<u>\$ 2,727</u>	<u>\$ 9,310,797</u>	<u>\$ 31,630</u>	<u>\$ -</u>	<u>\$13,880,649</u>	<u>\$ 24,655,654</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended December 31, 2012 and 2011.

b. Revenue by major products and services

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

	Year Ended December 31	
	2012	2011
Vehicle	\$ 25,563,983	\$ 28,581,276
Parts	3,445,959	3,467,396
Others	<u>124,588</u>	<u>66,679</u>
	<u>\$ 29,134,530</u>	<u>\$ 32,115,351</u>

c. Geographical information

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

	Year Ended December 31	
	2012	2011
Domestic	\$ 28,654,342	\$ 31,671,846
Foreign	<u>480,188</u>	<u>443,505</u>
	<u>\$ 29,134,530</u>	<u>\$ 32,115,351</u>



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

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Domestic	\$ 1,696,789	\$ 1,496,789
Foreign	<u>-</u>	<u>57</u>
	<u>\$ 1,696,789</u>	<u>\$ 1,496,846</u>

d. Information about major customers

Sales revenue from major customers was as follows:

	<b>Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Customer of vehicle segment	<u>\$ 25,104,177</u>	<u>\$ 28,208,372</u>

No revenue from any individual customer exceeded 10% of the Group's revenue for the years ended December 31, 2012 and 2011.

## 26. 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, International Financial Reporting Standards, International Accounting Standards, Interpretations and IFRICs approved 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, 2012 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 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 Company's opening IFRS financial statement	Accounting	Completed
2) Complete the establishment of comparative financial information for 2012 under IFRSs	Accounting	Completed
3) Complete the establishment of related internal controls (including financial reporting process and modification of IT system)	Accounting, IT and internal audit	Completed

- b. As of December 31, 2012, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and their effects were as follows:

#### Exemptions

IFRS No. 1 "First-time Adoption of International Financial Reporting Standards" provides the procedures that should be followed when an entity applies IFRS for the first time in preparing consolidated financial statements. According to IFRS 1, the Group should establish accounting policies under IFRS and retrospectively apply them in preparing the opening balance sheet at the date of transition to IFRS (January 1, 2012). IFRS 1 provides some exemptions in the implementation of other IFRSs. The major exemptions the Group adopted were as follows:

- 1) Cumulative translation adjustments

The Group elected the exemption under IFRS 1 and brought the cumulative translation adjustments to zero by reclassifying the amount to retained earnings at the date of transition to IFRS.

## 2) Employee benefits

The Group elected to recognize all unrecognized accumulated actuarial gains and losses on employee benefit plans in retained earnings on the date of transition to IFRS.

Differences in Accounting Policies

As of December 31, 2012, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and their effects were as follows:

<u>Accounting Issues</u>	<u>Description of Differences</u>
Classification of deferred tax assets/liabilities	<p>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.</p> <p>After converting to IFRS, the classification of deferred income tax is always noncurrent. If an enterprise does not have a legally recognized right to offset the tax assets and tax liabilities, the amounts recognized in deferred tax assets should not offset with deferred tax liabilities under IFRS.</p>
Reclassification of deferred charges	<p>Under ROC GAAP, deferred charges are listed under other assets.</p> <p>After converting to IFRS, an enterprise should reclassify deferred charges to property, plant and equipment and intangible assets based on their nature.</p>
Actuarial gains and losses of defined benefit plans	<p>Under ROC GAAP, an entity's actuarial gains and losses are amortized over the employees' average remaining service period to the income statement under the corridor approach.</p> <p>After converting to IFRSs, actuarial gains and losses should be recognized immediately in other comprehensive income and retained earnings in the statement of changes in equity.</p>

(Concluded)

<u>Accounting Issues</u>	<u>Description of Differences</u>
Unrecognized net transition obligation	<p>Under ROC GAAP, unrecognized net transition obligation that resulted from the adoption of Statement of Financial Accounting Standards (SFAS) No. 18 “Accounting for Pensions” should be amortized using the straight-line method over the average remaining service years of employees, and be accounted for as pension costs.</p> <p>After converting to IFRS, due to non-adoption of the transitional arrangements under IAS 19 “Employee Benefits,” the unrecognized net transition obligation is accounted and adjusted in retained earnings.</p>
Time deposits with periods of over three months	<p>Under ROC GAAP, time deposits that can be readily terminated and withdrawn without adverse effect on the principal are accounted for as cash equivalents.</p> <p>After converting to IFRS, time deposits with periods of over three months are not usually recognized as cash and cash equivalents. Those deposits with fixed or determinable payments that are not quoted in an active market and with deposit period of over three months should be classified as other financial assets.</p>
Impairment of assets	<p>Under ROC GAAP, impairment loss of assets is usually recognized as part of nonoperating expenditure.</p> <p>After converting to IFRS, an entity presents expenses and losses by function. Recognized impairment loss of assets based on IAS 36 should be attributed to related functional expense.</p>

c. Effects of conversion from ROC GAAP to IFRS

1) Reconciliation of January 1, 2012 balance sheet items

	<b>ROC GAAP</b>	<b>Difference</b>	<b>IFRSs</b>	<b>Note</b>
Current assets	\$ 13,848,011	\$ (34,168)	\$13,813,843	a), f)
Long-term investments	9,310,797	-	9,310,797	
Property, plant and equipment	37,166	1,427,233	1,464,399	e)
Intangible assets	-	12,740	12,740	e)
Other assets	<u>1,459,680</u>	<u>(1,253,376)</u>	<u>206,304</u>	a), b), c), e)

Total assets	<u>\$ 24,655,654</u>	<u>\$ 152,429</u>	<u>\$ 24,808,083</u>	
Current liabilities	\$ 2,698,570	\$ -	\$ 2,698,570	
Other liabilities	<u>2,393,600</u>	<u>207,546</u>	<u>2,601,146</u>	b), c)
Total liabilities	<u>\$ 5,092,170</u>	<u>\$ 207,546</u>	<u>\$ 5,299,716</u>	
Capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	
Capital surplus	5,988,968	-	5,988,968	
Retained earnings	10,110,362	409,037	10,519,399	c), d)
Cumulative translation adjustments	<u>464,154</u>	<u>(464,154)</u>	<u>-</u>	d)
Stockholders' equity	<u>\$ 19,563,484</u>	<u>\$ (55,117)</u>	<u>\$ 19,508,367</u>	

- a) Deferred tax assets - current of \$34,168 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRS.
- b) After converting to IFRS, if an entity does not have a legally recognized right to offset tax assets and tax liabilities, the amounts recognized in deferred tax assets should not be offset with deferred tax liabilities under IFRS. Deferred tax liabilities and deferred tax assets which have been offset with each other under ROC GAAP were reversed; thus, deferred tax liabilities - noncurrent and deferred tax assets - noncurrent both increased by \$141,140 thousand at the same time.
- c) i. Retirement benefit obligation under IFRS increased by \$66,406 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of \$66,406 thousand and decreased retained earnings by \$66,406 thousand.
- ii. Deferred tax assets - noncurrent recognized on the above retirement benefit obligation increased by \$11,289 thousand and retained earnings increased by \$11,289 thousand, accordingly.
- d) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by \$464,154 thousand and retained earnings increased by \$464,154 thousand on the date of transition to IFRS.
- e) Molds and dies of \$1,427,233 thousand listed in deferred charges under other assets were reclassified as property, plant and equipment based on their nature. Computer software of \$12,740 thousand was reclassified as intangible assets.
- f) As of January 1, 2012, to comply with the presentation of financial statements under IFRS, the Group's time deposits of \$4,592,825 thousand with periods of over three months were reclassified from bank deposits under current assets to other financial assets under current assets because there is fixed or determinable payments that are not quoted in an active market.

## 2) Reconciliation of December 31, 2012 balance sheet items

	<b>ROC GAAP</b>	<b>Difference</b>	<b>IFRSs</b>	<b>Note</b>
Current assets	\$ 14,989,003	\$ (34,289)	\$ 14,954,714	a), f)
Long-term investments	10,379,966	-	10,379,966	
Property, plant and equipment	45,236	1,640,184	1,685,420	e)
Intangible assets	-	11,369	11,369	e)
Other assets	<u>1,729,328</u>	<u>(1,430,418)</u>	<u>298,910</u>	a), b), c), e)
<b>Total assets</b>	<b><u>\$ 27,143,533</u></b>	<b><u>\$ 186,846</u></b>	<b><u>\$ 27,330,379</u></b>	
Current liabilities	\$ 3,147,962	\$ -	\$ 3,147,962	
Other liabilities	<u>3,325,239</u>	<u>241,885</u>	<u>3,567,124</u>	b), c)
<b>Total liabilities</b>	<b><u>\$ 6,473,201</u></b>	<b><u>\$ 241,885</u></b>	<b><u>\$ 6,715,086</u></b>	
Capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	
Capital surplus	6,129,405	-	6,129,405	
Retained earnings	11,980,839	409,115	12,389,954	c), d)
Cumulative translation adjustments	<u>(439,912)</u>	<u>(464,154)</u>	<u>(904,066)</u>	d)
<b>Stockholders' equity</b>	<b><u>\$ 20,670,332</u></b>	<b><u>\$ (55,039)</u></b>	<b><u>\$ 20,615,293</u></b>	

- a) Deferred tax assets - current of \$34,289 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRS.
- b) After converting to IFRS, if an entity does not have a legally recognized right to offset tax assets and tax liabilities, the amounts recognized in deferred tax assets should not be offset with deferred tax liabilities under IFRS. Deferred tax liabilities and deferred tax assets which have been offset with each other under ROC GAAP were reversed; thus, deferred tax liabilities - noncurrent and deferred tax assets - noncurrent both increased by \$175,573 thousand at the same time
- c) i. Retirement benefit obligation under IFRS increased by \$66,312 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of \$66,312 thousand and decreased retained earnings by \$66,312 thousand, of which \$10,259 thousand of actuarial losses in 2012 and related income tax of \$1,744 thousand were immediately recognized in other comprehensive income and retained earnings in the statement of changes in equity.
- ii. Deferred tax assets - noncurrent recognized on the above retirement benefit obligation increased by \$11,273 thousand and retained earnings increased by \$11,273 thousand, accordingly.

- d) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by \$464,154 thousand, and retained earnings increased by \$464,154 thousand on the date of transition to IFRS. As of December 31, 2012, the difference from conversion of financial statements of all business abroad of \$(904,066) thousand was recognized under other comprehensive income.
- e) Molds and dies of \$1,640,184 thousand listed in deferred charges under other assets were reclassified as property, plant and equipment based on their nature. Computer software of \$11,369 thousand was reclassified as intangible assets.
- f) As of December 31, 2012, to comply with the presentation of financial statements under IFRS, the Group's time deposits of \$5,579,666 thousand with periods of over three months were reclassified from bank deposits under current assets to other financial assets under current assets because there is fixed or determinable payments that are not quoted in an active market.

## 3) Reconciliation of 2012 comprehensive income statement items

	ROC GAAP	Difference	IFRSs	Note
Operating revenues	\$ 29,134,530	\$ -	\$ 29,134,530	
Operating cost	<u>(25,105,630)</u>	<u>(357,963)</u>	<u>(25,463,593)</u>	d)
Gross profit	4,028,900	(357,963)	3,670,937	
Operating expenses	<u>(3,169,082)</u>	<u>10,353</u>	<u>(3,158,729)</u>	a)
Operating income	859,818	(347,610)	512,208	
Nonoperating gains and losses	<u>5,230,963</u>	<u>357,963</u>	<u>5,588,926</u>	d)
Income before income tax	6,090,781	10,353	6,101,134	
Income tax expense	<u>(1,160,304)</u>	<u>(1,760)</u>	<u>(1,162,064)</u>	b)
Net income	<u>\$ 4,930,477</u>	<u>\$ 8,593</u>	<u>4,939,070</u>	

Other comprehensive income

Actuarial losses of defined benefit plan			(10,259)	c)
Difference from translation of financial statements of foreign business			(904,066)	e)
Income tax gains to other comprehensive income			1,744	c)
Comprehensive income			<u>\$ 4,026,489</u>	

- a) Retirement benefit obligation of \$10,353 thousand recognized according to IFRS decreased employee benefit expenses by the same amount.
- b) Decrease of employee benefit expenses resulted in increase of related tax expense of \$1,760 thousand.
- c) Retirement benefit obligation under IFRS increased by \$66,312 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of \$66,312 thousand and decreased retained earnings by \$66,312 thousand, of which \$10,259 thousand of actuarial losses in 2012 and related income tax of \$1,744 thousand were immediately recognized in other comprehensive income and retained earnings in the statement of changes in equity.
- d) According to IFRS, an entity should present expenses and losses by function. Recognized impairment losses of assets based on IAS 36 should be attributed to related functional expense. Therefore, the Company reclassified impairment losses \$357,963 thousand to cost of sales.
- e) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by \$464,154 thousand, and retained earnings increased by \$464,154 thousand on the date of transition to IFRS. As of December 31, 2012, the difference from conversion of financial statements of all business abroad of \$(904,066) thousand was recognized under other comprehensive income.



4) Special reserve accounted on the date of transition

Under Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012, when first-time adopting IFRS, an entity should recognize special reserve same as the amount reclassified from cumulative translation adjustment (gains) to retained earnings because of applying IFRS exemption. But if the increase in retained earnings brought by adopting IFRS is insufficient to account for special reserve, an entity can only recognize the increase from adopting IFRS. When disposing related assets, an entity can reverse special reserve to earnings proportionately. The Group's retained earnings from cumulative translation adjustments was \$464,154 thousand, but because the increase in retained earnings brought by adopting IFRS was only \$409,037 thousand or insufficient to recognize all special reserve, the entity recognized only \$409,037 thousand of special reserve, the increase of retained earnings from adoption of IFRS.

- d. 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, 2012

(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, 2012			Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership		Market Value or Net Asset Value
Yulon Nissan Motor Company, Ltd.	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	\$ 23,891,801	100.00	\$ 23,891,801	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u> Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 822,498	100.00	US\$ 822,498	Notes 1 and 2
Jet Ford, Inc.	Share certificates Aeolus Xiangyang Automobile Co., Ltd. Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc. Equity-method investee of Jet Ford, Inc.	Long-term equity investments Long-term equity investments	-	US\$ 52,481	16.55	US\$ 50,483	Note 1
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 64,190	33.12	US\$ 64,190	Note 1
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 227,181	40.00	US\$ 228,003	Note 1
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 12,281	45.00	US\$ 12,281	Note 1
			Long-term equity investments	-	US\$ 1,304	49.00	US\$ 1,304	Note 1

Note 1: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements and percentage of ownership.

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, 2012  
 (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	Shares (Thousands)	Amount (Note)
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>											
	Taishin Ta Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	13,952	\$ 190,000	3,642	\$ 50,000	17,594	\$ 241,969	\$ 1,969	\$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	19,224	279,978	9,551	140,000	28,775	422,278	2,300	-
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	16,142	229,625	8,394	120,000	24,536	349,625	1,857	-
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,546	240,000	3,827	50,000	22,373	293,059	3,059	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	8,212	100,000	15,583	190,000	23,795	290,400	400	-
	ING Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,185	50,000	7,590	120,000	10,775	170,391	391	-
	TIIM Money Market Fund	Financial assets at fair value through profit or loss	-	-	15,941	229,969	4,101	60,000	20,042	293,491	3,522	-
	PCA Well Pool Money Market Fund	Financial assets at fair value through profit or loss	-	-	12,220	160,000	10,659	140,000	22,879	301,648	1,648	-
	Cathay Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,947	120,000	9,947	120,047	47	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,285	220,000	580	100,000	1,865	322,399	2,399	-
	Hua Nian Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,360	100,000	6,360	100,416	416	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,215	50,000	4,483	70,000	7,698	120,258	258	-
	Jet Ford, Inc.	Share certificates Aeolus Automobile Co., Ltd.	Long-term equity investments	-	Equity-method investee of Jet Ford, Inc.	-	345,322 (US\$10,890) (Note)	-	228,199 (US\$7,820) (Note)	-	-	-

Note: Shown at their original investment amounts.

## 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, 2012

(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	\$ 23,643,252	98	180 days after sales for parts 3 days after sales for vehicles	\$ -	\$ (979,019)	57	-
	Nissan	Equity-method investor of the Company	Purchase	129,681	1	30 days after sales for vehicles	-	(115,784)	7	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	25,104,177	87	4 days after sales for parts 3 days after sales for vehicles	-	360,027	64	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	349,684	1	15 days after sales for parts Immediate payment for vehicles	-	6,146	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	330,144	1	Same as above	-	7,314	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	289,889	1	Same as above	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	250,298	1	15 days after sales for parts	-	1,151	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	244,235	1	90 days after sales for vehicles 15 days after sales for parts	-	-	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	242,224	1	15 days after sales for parts Immediate payment for vehicles	-	4,360	1	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	237,191	1	Same as above	-	6,183	1	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	231,121	1	15 days after sales for parts	-	2,199	-	-
	Chen Long Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	225,047	1	Same as above	-	5,895	1	-

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 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, 2012  
 (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	\$ 380,971	91.31	\$ -	-	\$ 380,971	\$ -

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, 2012

(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, 2012		Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				December 31, 2012 (US\$ 57,371)	December 31, 2011 (US\$ 57,371)	Shares (Thousands)	Percentage of Ownership			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$23,891,801	\$ 5,585,608	Notes 2 and 4
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$822,498	US\$188,850	Notes 2 and 4
	Yi Hsing Corporation (Note 3)	Philippines	Inquire of parts sales prices and commission-based business	-	US\$ 200	-	-	-	US\$ (20)	Notes 2 and 4
Jet Ford, Inc.	Aeolus Xiangyang 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\$ 52,481	US\$ 42,682	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 10,890	-	33.12	US\$ 64,190	US\$288,355	Note 2
	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\$227,181	US\$204,268	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\$ 12,281	US\$ 3,821	Note 2
	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\$ 1,304	US\$ 351	Note 2

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

Note 2: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements and percentage of ownership.

Note 3: The Company invested in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. The operating activities of Yi Hsing Corporation had been terminated in February 2011; its liquidation had been completed on February 8, 2012.

Note 4: Eliminated.

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

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

TABLE 6

Year	Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details				% to Consolidated Total Sales or Assets (Note 5)
					Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)		
2012	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	\$ 4,815	-	-	
	1	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	4,815	-	-	
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	-	-	

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, 2012

(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 January 1, 2012	Investment Flows		Accumulated Outflow of Investment from December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow (Note 5)	Inflow					
Aeolus Xiangyang 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	\$ 196,056 (US\$ 6,630)	\$ 1,524,037 (US\$ 52,481)	\$ -
Aeolus Automobile Co., Ltd. (Note 4)	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	345,322 (US\$ 10,890)	187,787 (US\$5,922)	-	533,109 (US\$ 16,812)	33.12	2,645,730 (US\$ 89,464)	1,864,086 (US\$ 64,190)	-
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	2,383,183 (US\$ 80,586)	6,597,339 (US\$ 227,181)	1,269,572 (US\$ 39,777)
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	50,847 (US\$ 1,719)	356,640 (US\$ 12,281)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00	5,083 (US\$ 172)	37,864 (US\$ 1,304)	-

Accumulated Investment in Mainland China as of December 31, 2012	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)	\$ 12,402,199



- Note 1: The Company indirectly owns these investees through an investment company registered in a third region.
- Note 2: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements and percentage of ownership.
- Note 3: The upper limit was calculated in accordance with the "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission under the Ministry of Economic Affairs on August 22, 2008.
- Note 4: The Investment Commission, Ministry of Economic Affairs authorized Jet Ford Inc., a subsidiary of Yi-Jan Overseas Investment Co., to acquire 8.12 percent of the shares of Aeolus Automobile Co., Ltd. on December 14, 2011 and authorized investment implementation on July 2, 2012.
- Note 5: In November 2011, Jet Ford Inc. disposed of its shares in Dong Feng Yulon Motors Sales Co., Ltd. and then invested the same amount of RMB49,000 thousand, which was equivalent to NT\$187,787 thousand (US\$5,922 thousand), in Aeolus Automobile Co., Ltd. in May 2012. The conversion was based on the exchange rate at the date of investment outflow from Taiwan.

**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 2012	Fiscal year 2011	Amount	%
Current Assets	\$ 1,476,958	\$ 4,089,045	( -2,612,087)	-64
Long-Term Equity Investments	23,891,801	19,069,822	4,821,979	25
Fixed Assets	45,236	37,166	8,070	22
Other Assets	1,729,328	1,459,623	269,705	18
Total Assets	27,143,323	24,655,656	2,487,667	10
Current Liabilities	3,147,752	2,698,572	449,180	17
Other Liabilities	3,325,239	2,393,600	931,639	39
Total Liabilities	6,472,991	5,092,172	1,380,819	27
Share Capital	3,000,000	3,000,000	0	0
Capital Reserves	6,129,405	5,988,968	140,437	2
Retained Earnings	11,980,839	10,110,362	1,870,477	19
other adjustment items shareholders' equity	-439,912	464,154	( -904,066)	-195
Total share holder equity	20,670,332	19,563,484	1,106,848	6

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 decreased of current assets is mainly due to more dividends paid.
- (2) The increase of long-term equity investments is caused by the increase in mainland investment and earning.
- (3) Increase in other liabilities is caused by the increase in deferred income tax arising from investment income recognized under equity method in 2012.
- (4) Increase in total liabilities is caused by the increase in deferred income tax arising from investment income recognized under equity method in 2012.
- (5) The decrease in other adjustment items under shareholders' equity is mainly caused by the decreased accumulative translation adjustments. (The US dollar rose against the Taiwan dollars. On December 31, 2011, the exchange rate was 30.275, while it was 29.040 on the same day the following year.)

## 2. Financial Performance

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

Unit : In NTD thousand

Item	Fiscal Year		Increase (Decrease) Amount	Changes(%)
	Fiscal year 2012	Fiscal year 2011		
Gross Revenue	\$ 29,140,783	\$ 32,124,700	-2,983,917	-9
Less: Sales Returns Sales Allowances	<u>6,253</u>	<u>9,349</u>	-3,096	-33
Net Operating Revenue	29,134,530	32,115,351	-2,,980,821	-9
Operating Cost	<u>25,105,630</u>	<u>27,380,203</u>	-2,274,573	-8
Operating margin	4,028,900	4,735,148	-706,248	-15
Operating Expenses	<u>3,139,398</u>	<u>3,686,109</u>	-546,711	-15
Operating Profit	889,502	1,049,039	-159,537	-15
Non-Operating Revenue and Gain	5,608,459	3,644,374	1,964,085	54
Non-Operating Expense and Loss	<u>407,187</u>	<u>95,506</u>	311,681	326
Income Before Income Tax	6,090,774	4,597,907	1,492,867	32
Income Tax Expense	( <u>1,160,297</u> )	( <u>766,342</u> )	393,955	51
Net Income	<u>\$ 4,930,477</u>	<u>\$ 3,831,565</u>	1,098,912	29

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 Non-Operating Revenue and Gain was mainly due to the increase in 2012 Mainland China investment revenue.
- (2) The increase in non-operating expense and loss is mainly process the asset impairment.
- (3) Increase in income before income tax is caused by the increase Mainland investment revenue.
- (4) Increase in income tax expense 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 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	(706,248)	(100,029)	(441,724)	63,324	(300,326)
Content	1. Unfavorable sale prices variance occurred mainly because that the cars prices were decreased in fiscal year 2012. 2. Unfavorable cost prices variance occurred mainly by that cars' the purchase prices were increased in 2012. 3. Favorable sales mix variance occurred mainly because that the sales volume of the high-gross-profit parts series was raised in fiscal year 2012. 4. Unfavorable volume difference occurred mainly because of decrease in sales volume of car in 2012. 5. Service revenue from Nissan's outsourcing and DFAC of research and design decreased NT\$ 55,741,000 in 2012. 6. Revenue from sale of steel flats , certificating and testing increased NT\$ 16,766,000 in 2012.				

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

Item	Fiscal Year		
	Fiscal year 2012	Fiscal year 2011	Increase (Decrease) Ratio (%)
Cash Flow Ratio (%)	120	83	45
Cash Flow Adequacy Ratio (%)	127	105	21
Cash Reinvestment Ratio (%)	3	3	-
Difference Analysis and Description of Changes in Increase and Decrease Ratio: 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 net income and net cash provided by operating activities in 2012			

**(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
781,628	1,067,850	(778,256)	1,071,222	-	-

#### 4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2012

##### (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 2010	Fiscal year 2011	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Model Clamp Lifting Tool	Self-owned fund	2015.12.31	4,238,179	237,806	465,949	1,064,885	1,130,725	750,405	588,409
Other equipment	Self-owned fund	2015.12.31	23,959	1,213	681	0	15,605	3,800	2,660
MIS equipment	Self-owned fund	2015.12.31	54,904	2,701	3,140	5,346	14,950	14,256	14,511

##### (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 2012, 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	\$ 5,585,608	Growing Status of China Car Market	Nil	Nil
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	100	USD188,850	Growing Status of China Car Market	Nil	Nil
	Yi Hsing Corporation	-	(USD -20)	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 6,630	Growing Status of China Car Market	Nil	Nil
	Guangzhou Aeolus Automobile Co., Ltd.	40	USD 80,586	Growing Status of China Car Market		
	Aeolus Automobile Co., Ltd.	33.12	USD89,464	Growing Status of China Car Market	Nil	Nil
	Shenzhen Lan You Technology Co., Ltd.	45	USD 1,719	Growing Status of China Car Market	Nil	Nil
	Dong Feng Yulon Used Cars Co., Ltd.	49	USD 172	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 2012.

### (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 2013 is 584,532 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**

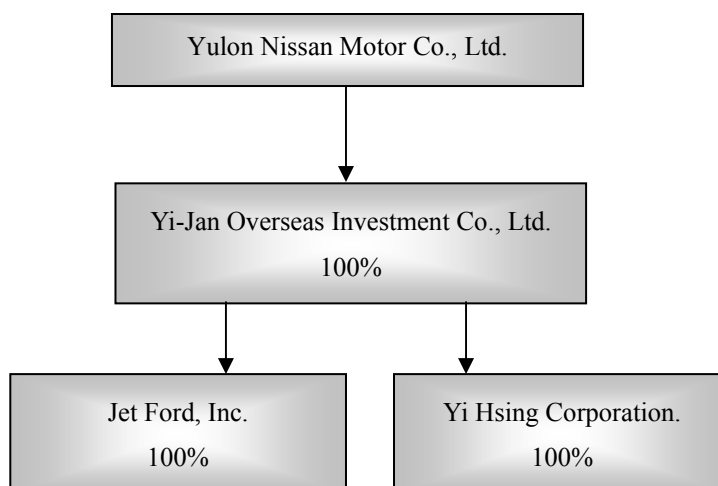


## VIII · Special Noted Items

### 1. Affiliates information

#### (1) Affiliates Combined Operation Statement

##### 1. Organization Chart of Yulon Motor's Affiliated Companies



##### 2. Basic information of affiliates

Dec. 31, 2012

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 P.O.Box 30592 S.M.B. George Town Grand Cayman Island B.W.I.	USD 84,987	Investments
Jet Ford, Inc.	1994.01.12	P.O.Box 3151 Road Town, Tortola British Virgin Islands	USD 71,772	Investments

##### 3. Shareholders representing both holding companies and subordinates: Nil

## 4. Information of the directors, supervisors, and general managers of the affiliates

Dec. 31, 2012

Name	Title	Name or representative	Shares	
			Shares	Percentage
Yi-Jan Overseas Investment Co., Ltd.	Director	Yulon Nissan Motor Co., Ltd. Representative: Kenneth K. T. Yen	84,986,756	100%
Jet Ford, Inc.	Director Director Director	Yi-Jan Overseas Investment Co., Ltd. Representative : Kenneth K. T. Yen Kuo-Rong Chen Wen-Rong Tsay	71,771,793	100%

## 5. Affiliates' Operating Results

Dec. 31, 2012

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	23,891,801	0	23,891,801	5,584,274	5,584,154	5,585,608	65.72
22270002	Jet Ford, Inc.	2,347,251	23,890,378	5,025	23,885,353	5,280,899	5,251,973	5,584,865	77.81
22270003	Yi Hsing Corporation	7,255	0	0	0	0	0	( 591)	( 0.54)

**(2) Affiliates Combined Financial Report:****Statement**

The company and its subordinates in fiscal year 2012 (from Jan 1 2012 to December 31 2012) 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 20, 2013

**(3) Combined report of public companies and their affiliates: Nil**

- 2. Fiscal Year 2012 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
- 3. Fiscal Year 2012 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 2012 and prior to the publication date of the annual report: Nil**

## **Yulon Nissan Motor Co., Ltd.**

**Chairman Kenneth K. T. Yen**

# 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



EX37 3.7



FX50 / FX37 5.0 3.7



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



BIG TIIDA 1.6



BLUEBIRD 2.0



TIIDA 1.6



MARCH 1.5



LIVINA 1.8 1.6



## **Corporate Vision**

Becoming the Benchmark Company of "Product Innovation"  
and "Service Innovation" in the Cross Strait Auto Industry

**YULON NISSAN MOTOR CO., LTD**

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