

YULON NISSAN

**YULON NISSAN MOTOR CO., LTD
ANNUAL REPORT 2014**



INFINITI Q50





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

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Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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I. Letter to Shareholders

Dear Shareholders,

In view of the optimistic economic prosperity in Taiwan in 2014, most automobile brands have taken active means to launch brand-new models and driven the trends to change new cars, the overall purchasing market was boosted while the total car sales volume reached 414,000 units, up 12% compared with that in 2013. Driven by the successful launch of new models, NISSAN ALL NEW LIVINA, SENTRA aero, INFINITI Q50, and QX60 Hybrid, and the trends to change new cars, the new car sales of Yulon Nissan reached 47,740 units in 2014 with an annual growth of 8.5% and market share of 11.5%, comfortably perched in second place. The total 2014 car sales in China market were 23,492,000 units, up 6.9% compared with that in 2013. Dong Feng Nissan passenger cars were sold in 954,000 units in 2014, up 3% compared with that of 2013. The export revenue for Yulon Nissan automobile components was NTD368 million, exporting to Thailand, Malaysia, Philippine, China, Korea, Japan, Egypt, Indonesia, and Vietnam.

In favor of new car launch and profits from investment in China, the consolidated revenue for Yulon Nissan in 2014 reached NTD331.8, up 5.4% per year with earnings before tax for 2014 in the amount of NTD80.27 million and the EPS of NTD21.75.

Yulon Nissan continues innovating and improving “products” and “services in response to the intensely competitive automobile market in Taiwan. With regards to new product introduction, the new NISSAN X-TRAIL was launched in 2015. Equipped with the 3 active protection systems in ARC/ AEB/ATC, Vehicle Dynamic Control (VDC) and Hill Start Assist (HSA), the car series are designed to build a “comprehensive protection.” The 3D ultra-relief leather chair incorporated with a maximum wide-opening rear door angle plus the multi-link sliding back seats with tilting adjustment fully exhibits the “premium comfort.” The new X-TRAIL shakes up the domestic market as the perfect SUV. With regards to service innovation, Yulon Nissan was awarded with the “No. One Domestic Car Brands” in both sales service index (SSI) and customer service index (CSI) conducted by J. D. Power in 2014. Yulon Nissan will continue to improve sales and service quality in 2015 by improving hardware/software equipment with the use of innovative information technology and quick fixes to effectively improve customer satisfaction. INFINITI follows the “IREDI (INFINITI Retail Environment Design Initiative)” for constant upgrade of distribution office by creating spacious, bright and galley-like showroom while applying P.C.E (Premium Customer

Experience) of five-star prestigious services, providing customers with beautiful experience of hospitality.

With regards to automobile market in China, Deng Feng Nissan will launch multiple models of passenger cars in 2015 and it is estimated that the sales volume will exceed 1 million units, up 5% compared with that in 2014. In terms of export, Yulon Nissan will continue to expand items in component exports for 2015 to create greater momentum of growth for company revenue.

Looking into the future and under the support from all shareholders and efforts from all employees, Yulon Nissan will continue to increase revenue and profits through new products, new services and brand value. Yulon Nissan is confident in creating maximum benefits from the intensely competitive market. All of our employees will continue to take the challenge and meet the expectation of all supporting shareholders.

Finally we would like to express our gratitude for the support from all shareholders on behalf of all employees at Yulon Nissan Motor Co., Ltd. We wish your health and success. Thank you.

Chairman Kenneth K. T. Yen

1. 2014 Operating Performance:

(1) Operating Performance

Unit : NTD Thousand

Fiscal Year	Fiscal year 2013	Fiscal year 2014
Operating Revenue	31,486,050	33,176,837
Profit Before Tax	8,806,890	8,026,677
Net Profit For The Year	7,299,997	6,523,759
Earnings Per Share	24.33	21.75

(2) Profitability Analysis perating Performance

Fiscal Year	Fiscal year 2013	Fiscal year 2014
Profit Margin On Sales	5.82%	2.37%
Income after Tax (%)	23.18%	19.66%
Return on assets (%)	23.35%	18.26%
Return on equity (%)	31.98%	25.11%

(3) Comparison of Sales Performance in Major Competitors

Brands	Fiscal year 2013		Fiscal year 2014	
	units	share	units	share
NISSAN	44,010	11.9%	47,740	11.5%
TOYOTA	129,298	35.0%	142,173	34.3%
MITSUBISHI	42,084	11.4%	43,180	10.4%
HONDA	25,589	6.9%	24,607	5.9%
FORD	24,098	6.5%	24,705	6.0%
OTHER	104,821	28.3%	131,893	31.9%
TOTAL	369,900	100.0%	414,298	100.0%

2. Highlights of Business Operation Plans for 2015 :

(1) Management Guidelines

Yulon Nissan integrates the abundant management resources from Nissan Motor Company Global and Yulon Group to develop the following company management guidelines:

1. Build strategy-oriented organizations to form sustained competitive advantage.
2. Lead the market trends and style through innovative products and services.
3. Use macro environmental resources to create synergies for business operation.
4. Implement profit growth model to maximize values for customers.

(2) Expected Business Objectives

To strengthen the permeability of brand commutation and brand publication, the company emphasizes the development on “clear brand identification” “brand image communication,” and promoting

advertising and promotional performance,” to effectively convert brand value into the performance of market sales. Meanwhile the core advantage of models are developed with high explicitness, high usability, high technology, and high price-performance-ratio, creating the appealing products that meet consumer requirement and forming portfolios of best-model sales through the complementary strategies between domestic cars and imported cars. Moreover, the company applies customer value promotion campaigns held for years to gradually establish a benchmark enterprise of example in customer satisfaction. Through solid foundation of competitiveness, the company will stabilize the growth in intensely competitive market and re-produce excellence in operating performance.

3. Future Development Strategy Of The Company :

(1) Implement reforms in management system

Establish strategy oriented learning organization with improvement to emphasize on innovative corporate culture as key development, which not only encourages employees to constantly learn and grow but also enhance the efficiency of organization operation.

(2) Taking initiative in following up the progress in ECFA and expanding the planning of operational development

By following the progress in ECFA, the company re-reviews the cross-strait production planning and expanding the complementary architecture of strategies with the partners to integrate cross-strait market, using more active and flexible cooperation and division of labor to create higher operational performance.

(3) Coping with Global Eco-Friendly Trend to Develop Clean Electric Vehicle

The company constantly focuses on the introduction of eco-friendly clean vehicles to build the image of green brand, in addition to expanding the planning of sales development for electric vehicles in attempt to complete the vision of green traffic with zero-emission and zero-pollution. Such vision fulfills the concept of co-existence between people, vehicles and nature.

4. Impact of External Environment (including competitors, regulations, macroeconomics and other factors) :

The drastic drop in oil price, surging demand to change new cars and driven by different car makers releasing new models, the growing momentum of automobile market gradually improves. Nonetheless the 2015 economic environment is still subject to the impact of uncertainty factors such as the U.S. quantitative easing withdrawal, EU activation of QE easing policy, drastic fall and rise of currencies in different economic and trade regions of the world, and fluctuations in raw material price. To sustain the demand for corporate growth, the company has taken initiative in the planning and development of long and short-term strategy actions in different stages to assure corporate sustainability and long-term profiting performance.

II. Company Brief Introduction

1. Established 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.
- 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. 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
- 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
May 2010:	NISSAN TIIDA has been awarded by the Environmental Protection Department the “Annual Green Car” for three consecutive years.
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
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.
Jul. 2012:	The brand new 7-seat INFINITI JX series were launched.
Dec. 2012:	NISSAN BIG TIIDA hatchbacks and turbocharged cars was launched.
Feb. 2013:	Grand opening of INFINITI IREDI showroom in Xindian, New Taipei City, Taiwan.
May 2013:	NISSAN BIG TIIDA Turbo hailed as the green car of the year 2013.
May 2013:	INFINITI sponsoring Cirque du Soleil shows in Taiwan to increase visibility among top-level customers.
Oct. 2013:	Introduction of all new NISSAN SUPER SENTRA.

3. 2014 Operation Results:

Jan. 2014:	Fist issue of INFINITI Automobile Magazine was released.
Feb. 2014:	2014 INFINITI QX60 Upgraded model launched (CVT /third-row electric folding seatback.).
Feb. 2014:	2014 INFINITI FX Q60/Q70 launched.
Mar. 2015:	NISSAN ALL NEW LIVINA was launched.
Mar. 2015:	SUPER SENTRA was awarded with the “2014 Best Domestic Midsize Car” from Car of the Year Awards Taiwan.
May. 2014:	NISSAN NEW MARCH was awarded with the 2014 Eco-Friendly Car from EPA, Executive Yuan.
May. 2014:	NISSAN JUKE Star-Wars was launched.
Jun. 2014:	First production of INFINITI Q50S Hybrid VIP was available for presell.
Jun. 2014:	INFINITI was the first company of the industry to offer the longest warranty for hybrid system.
Jul. 2014:	Yulon Nissan and Yulo Motor continued the care by donating one million of accident insurance premiums to benefit the civil temporary works at Department of Environmental Protection, Taipei City.
Jul. 2014:	INFINITI QX60 Hybrid was first launched.
Aug. 2014:	Nissan offers victims from the Kaohsiung Gas Explosion with free tolling and maintenance/repair offers for damaged vehicles.
Sep. 2014:	“2014 NISSAN Travel in Nature” responds to the International Leave No Trace” movement.
Sep. 2014:	INFINITI Q50 was launched.
Nov. 2014:	New advanced and upgraded 2015 NISSAN JUKE.
Nov. 2014:	INFINITI QX70S wintertime warrior was launched.
Nov. 2014:	2015 INFINITI Q50 style launched and served as the only designated car for Taipei Golden Horse Film Festival.
Dec. 2014:	“External wildness and inner beauty.” SENTRA aero 1.8L was first release to worldwide.

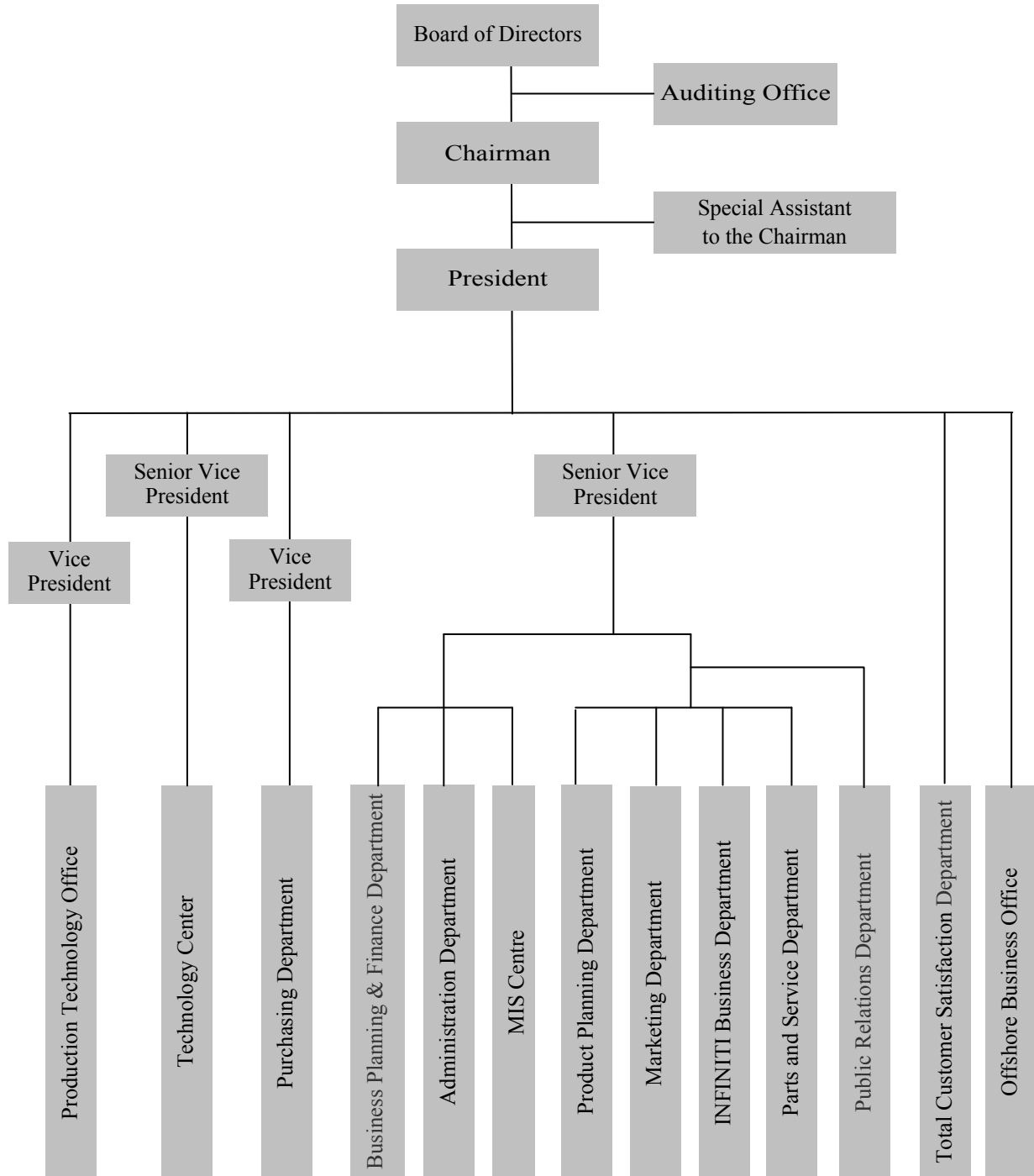
4. Others

1. Mergers & Acquisitions, invested companies and reconstructions in fiscal year 2014 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 2014 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 2014 and until the Annual Report published dated: Nil

III. Company Management Report

1. Organizational System:

(1) Organization chart:



(2) Organization Functions

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

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

(1) Directors and Supervisors' Information:

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Chairman	R.O.C	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
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Kuo-Rong Chen	2012.7.1	3	2003.10.01	180,000,000* 0	60.00*0.00	143,500,000* 5,000	47.83*0.00

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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 Honorary Doctor of Management, National Chiao Tung University	Chairman, Yulon Motor Co., Ltd. Chairman, China Motor Corporation. Chairman, Taiwan Acceptance Corporation Chairman, Tai-Yuen Textile Co., Ltd. Chairman, Hwa-chuan Auto Technology Center Co., Ltd. Chairman, Hui-Fong Motor Co., Ltd. Chairman, Hualing Motor Co., Ltd. Chairman, LUXGEN Motor Co., Ltd. Director, Southeast (Fujian) Motor Co., Ltd. Chairman, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation Chairman, Vivian Wu Journalism Award Foundation Chairman, Vivian Wu Industry and Commerce ECCC Foundation Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil
0	0.00	0	0.00	Master of High Level Management, National Chiao Tung University	Vice Chairman, Yulon Motor Co., Ltd. Special Assistant to the Chairman, Yulon Nissan Motor Co., Ltd. Director, China Motor Corporation Director, Taiwan Acceptance Corporation Director, Tai-Yuen Textile Co., Ltd. Director, Hwa-chuan Auto Technology Center Co., Ltd. Vice Chairman, Luxgen Motor Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Motor Co., Ltd. Vice Chairman, Aeolus Automobile Motor Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation. Director, Vivian Wu Journalism Award Foundation Director, Vivian Wu Industry and Commerce ECCC Foundation Please refer to the "Information on Affiliated Companies" for details.	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Director	R.O.C	Yulon Motor Co., Ltd. Representative: Wen -Rong Tsay	2012.7.1	3	2011.3.21	143,500,000 *	47.83 *0.00	143,500,000 *	47.83 *0.00
Director	R.O.C	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	Japan	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

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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, National Chiao Tung University	President , Yulon Nissan Motor Co., Ltd. Director, Taiwan Acceptance Corporation Director, Tokio Marine Newa Insurance Co., Ltd Director, CARPLUS Auto Leasing Co., Ltd. Director, Yu Shin Motor Co., Ltd. Director, Chen Long Co., Ltd. Director, Chi Ho Corporation. Chairman, Yue Sheng Industrial Co., Ltd. Director, Huamao International Investment Co., Ltd. Director, CL Skylite Trading Co., Ltd. Director, Fengye Car Rental Co., Ltd. Director, Jet Ford, Inc. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation	Nil	Nil	Nil
0	0.00	0	0.00	Department of Mechanical Engineering, National Taiwan University of Science and Technology Master of International Business Management, Curtin University of Technology	Director and President, Yulon Motor Co., Ltd. Director, Lexgen Motors Co., Ltd. Director, China Engine Corporation	Nil	Nil	Nil
0	0.00	0	0.00	Waseda University, Commercial Science	Director and General Manager of the China Department, Nissan Motor Co., Ltd. President, Nissan (China) Investment Co., Ltd. Director , Dongfeng Motor Co., Ltd.	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Director	Japan	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	Japan	Nissan Motor Co., Ltd. Representative: Junichi Ohori	2014.4.1	1.17	2014.04.1	120,000,000*	40.00*0.00	120,000,000*	40.00*0.00
Director	Japan	Nissan Motor Co., Ltd. Moritami Matsumoto	2014.4.1	1.17	2014.4.1	120,000,000*	40.00*0.00	120,000,000*	40.00*0.00
Independent Director	R.O.C	Tsong-Jen Huang	2012.7.1	3	2003.10.01	0	0.00	0	0.00
Independent Director	R.O.C	Robert Mao	2012.7.1	3	2003.10.01	0	0.00	0	0.00

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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	Waseda University, FACULTY OF Political Science and Economics	GM, Nissan Motor Co., Ltd	Nil	Nil	Nil
0	0.00	0	0.00	Musashi Institute of Technology, Master, Faculty of Engineering	SVP, Yulon-Nissan Motor Co., Ltd	Nil	Nil	Nil
0	0.00	0	0.00	Tokai University	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 Independent Director, China Motor 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) (Legal Representative) Director, Systex Solutions (HK) Ltd.	Nil	Nil	Nil
0	0.00	0	0.00	Master of Management, Massachusetts Institute of Technology, U.S.A Master of Engineering, Cornell University, U.S.A	Chairman, Hewlett-Packard Company in China Independent Director, China Motor Corporation	Nil	Nil	Nil

Title	Nationality or Place of Registration	Name	Elected (Sworn-in) Date	Term	First Elected Date	Shareholdings when Elected		Current Shareholdings	
						Shares	Share Holding	Shares	Share Holding
Supervisor	R.O.C	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li	2012.7.1	3	2012.7.1	1,880,000*	0.63 *0.00	1,878,000*	0.63 *0.00
Supervisor	R.O.C	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen	2013.6.14	2.04	2013.6.14	1,878,000*	0.63 *0.00	1,878,000*	0.63 *0.00
Supervisor	Japan	Yosuke Sato	2013.6.14	2.04	2013.6.14	0	0.00	0	0.00

* which are personal owned

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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	Member of New York Bar MBA, J.L. Kellogg Graduate School of Management, Northwestern University/Hong Kong University of Science & Technology LLM, New York University Law Graduate School, U.S.A. LLB, National Taiwan University Law Department	Chief Counselor, Lee & Li Attorneys-at-Law Chairman, Lee & Li Foundation Director, Yen Tjing Ling Medical Foundation Director, Far Eastern Medical Foundation Director, Far Eastern Y.Z. Hsu Science & Technology Memorial Foundation Director, Far Eastern Memorial Foundation Director, Tai-Yuen Textile Co., Ltd. Director, Diamond Hosiery & Thread Co., Ltd. Director, Far Eastern New Century Corporation Supervisor, Asia Cement Corporation	Nil	Nil	Nil
0	0.00	0	0.00	Member of New York Bar Adjunct Assistant Professor, National Chengchi University LL. B., National Taiwan University LL. M., Boston University	Partner, Jones Day Independent Supervisor, China Motor Corporation Director, Taiwan Acceptance Corporation Independent Director, Simplo Technology Co., Ltd. Supervisor, Carnival Industrial Corp	Nil	Nil	Nil
0	0.00	0	0.00	Ritsumeikan University	General Manager, Nissan Motor Co., Ltd	Nil	Nil	Nil

The Major Stockholders of Corporation Shareholders

May 12, 2015

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. Nanshan Life Insurance Co., Ltd. (4.50%) 5. Hua Li Investment Co., Ltd. (1.61%) 6. Management of Board Public Service Pension Fund (1.46%) 7. Fan De Investment Co., Ltd. (1.35%) 8. Labor Insurance Fund (1.13%) 9. Yen Tjing-Ling Industrial Development Foundation(1.09%) 10. Shin Kong Life Insurance Co., Ltd. (1.08%)
Nissan Motor Co., Ltd.	1. Renault (43.7%) 2. The Chase Manhattan Bank, N.A. London. Special Account No.1(3.21%) 3. Japan Trustee Services Bank Ltd.(Trust) (2.18%) 4. The Master Trust Bank of Japan Ltd. (Trust)(2.15%) 5. GIC PRIVATE LIMITED(1.46%) 6. Nippon Life Insurance Company (1.46%) 7. JP Morgan Chase Bank 385632(1.23%) 8. Moxley and Co LLC(0.92%) 9. The Bank of New York 133522 (0.84%) 10. JP Morgan Chase Bank 380055(0.82%)
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

May 12, 2015

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. (4.55%) 10. Yuen Wei Investment Corp. (3.10%)

2. China Motor Co., Ltd.	<ol style="list-style-type: none"> 1. Tai-Yuen Textile Co., Ltd. (25.18%) 2. Mitsubishi Motors Co., Ltd. (14.00%) 3. Yulon Motor Company Ltd. (8.05%) 4. Diamond Hosiery & Thread Co., Ltd. (6.76%) 5. Mitsubishi Corp. (4.79%) 6. Cathay Life Insurance Co., Ltd. (3.81%) 7. Nanshian Life Insurance Co., Ltd. (1.72%) 8. Kenneth K. T. Yen (1.20%) 9. Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index FundS.(0.94%) 10. New Labor Pension Fund (0.84%)
3. Nanshian Life Insurance Co., Ltd	<ol style="list-style-type: none"> 1. First Bank by the Runcheng an investment holding company trust account (83.11%) 2. Runcheng the Investment Holding Co., Ltd.(7.52%)
4. Hua Li Investment Co., Ltd.	China Motor Co., Ltd. (100%)
5. Management of Board Public Service Pension Fund	Non-juristic person, not applicable
6. Fan De Xin Investment Co., Ltd.	<ol style="list-style-type: none"> 1. Wei Wen Investment Co., Ltd. (33.30%) 2. Wei Tai Investment Co., Ltd. (33.36%) 3. Le Wen Investment Co., Ltd. (33.30%) 4. Jerry Chu (0.02%) 5. Wei-Kung Chi (0.02%)
7. Labor Insurance Fund	Non-juristic person, not applicable
8. Yen Tjing-Ling Industrial Development Foundation	Non-juristic person, not applicable
9. Shin Kong Life Insurance Co., Ltd..	Shin Kong Financial Holdings Co., Ltd. (100%)
10. Renault	<ol style="list-style-type: none"> 1. French State(15.01%) 2. Nissan Finance Co., Ltd.(15%) 3. Daimler AG(3.10) 4. Other Shareholders: Subject to local restrictions, not available
11. The Chase Manhattan Bank, N.A. London. Special Account No.1	Subject to local restrictions, not available
12. Japan Trustee Services Bank Ltd. (Trust)	Subject to local restrictions, not available
13. The Master Trust Bank of Japan, Ltd. (Trust)	<ol style="list-style-type: none"> 1. Mitsubishi UFJ Trust and Banking Co., Ltd.(46.5%) 2. Nippon Life Insurance Co., Ltd.(33.5%) 3. Meiji Yasuda Life Insurance Co., Ltd.(10%) 4. The Norinchukin Trust & Banking Co., Ltd.(10%)
14. GIC PRIVATE LIMITED	Subject to local restrictions, not available

15. Nippon Life Insurance Company	Subject to local restrictions, not available
16. JP Morgan Chase Bank 385632	Subject to local restrictions, not available
17. Moxley and Co LLC	Subject to local restrictions, not available
18. The Bank of New York 133522	Subject to local restrictions, not available
19. JP Morgan Chase Bank 380055	Subject to local restrictions, not available
20. Wei Tai Investment Co., Ltd.	<ol style="list-style-type: none"> 1. Kenneth K. T. Yen (99.88%) 2. Wei Wen Investment Co., Ltd. (0.02%) 3. Fan De Investment Co., Ltd. (0.04%) 4. Lilian Chen (0.02%) 5. Jerry Chu (0.02%) 6. Wei-Kung Chi (0.02%)
21. Le Wen Investment Co., Ltd.	<ol style="list-style-type: none"> 1. Kenneth K. T. Yen (99.88%) 2. Wei Wen Investment Co., Ltd. (0.04%) 3. Fan De Investment Co., Ltd. (0.04%) 4. Lilian Chen (0.02%) 5. Wei-Kung Chi (0.02%)
22. Jing Yu Investment Co., Ltd...	<ol style="list-style-type: none"> 1. Evans Co., Ltd. (99.96%) 2. Wei Tai Investment Co., Ltd. (0.007%) 3. Fan De Investment Co., Ltd. (0.007%) 4. Wei-Kung Chi (0.007%) 5. Jack Huang (0.007%) 6. Henry Wang(0.006%) 7. Shu-Jun Chen (0.006%)
23. Yu Xin Investment Co., Ltd.	<ol style="list-style-type: none"> 1. Evans Co., Ltd. (99.96%) 2. Wei Tai Investment Co., Ltd. (0.007%) 3. Fan De Investment Co., Ltd. (0.007%) 4. Wei-Kung Chi (0.007%) 5. Jack Huang (0.007%) 6. Henry Wang(0.006%) 7. Shu-Jun Chen (0.006%)

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: Junichi Ohori				v			v	v				v	v	v		
Nissan Motor Co., Ltd. Representative: Moritami Matsumoto				v			v	v				v	v	v		
Tsong-Jen Huang				v			v	v	v	v	v	v	v	v	v	1
Robert Mao				v			v	v	v	v	v	v	v	v	v	1
Wei Wen Investment Co., Ltd. Representative: Kwan-Tao Li				v			v	v	v	v	v	v	v	v		
Wei Wen Investment Co., Ltd. Representative: Tai-Ming Chen				v			v		v	v		v	v		1	
Yosuke Sato				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	Nation ality	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	R.O.C	Wen -Rong Tsay	2010.09.01	0	0.00	—	—	—	—
Special Assistant to the Chairman	R.O.C	Kuo-Rong Chen	2003.11.1	5,000	0.00	—	—	—	—

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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	Director, Taiwan Acceptance Corporation Director, Tokio Marine Nawa Insurance Co., Ltd Director, CARPLUS Auto Leasing Co., Ltd. Director, Yu Shin Motor Co., Ltd. Director, Chen Long Co., Ltd. Director, Chi Ho Corporation. Chairman, Yue Sheng Industrial Co., Ltd. Director, Huamao International Investment Co., Ltd. Director, CL Skylite Trading Co., Ltd. Director, Fengye Car Rental Co., Ltd. Director, Jet Ford, Inc. Director, Guangzhou Aeolus Automobile Co., Ltd. Director, Aeolus Automobile Co., Ltd. Director, Aeolus Xiangyang Automobile Co., Ltd. Chairman, Shenzhen Lan You Technology Co., Ltd. Director, Dong Feng Yulon Used Cars Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation	—	—	—
Master of High Level Management, Chiao Tung University	Vice Chairman, Yulon Motor Co., Ltd. Director, China Motor Corporation Director, Taiwan Acceptance Corporation Director, Tai-Yuen Textile Co., Ltd. Director, Hwa-chuan Auto Technology Center Co., Ltd. Vice Chairman, Luxgen Motor Co., Ltd. Director, Dongfeng Yulon Motor Co., Ltd. Vice Chairman, Guangzhou Aeolus Automobile Co., Ltd. Vice Chairman, Aeolus Automobile Co., Ltd. Director, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation. Director, Vivian Wu Journalism Award Foundation Director, Vivian Wu Industry and Commerce ECCC Foundation Please refer to the “Information on Affiliated Companies” for details.	—	—	—

Title	Nationality	Name	Elected (Sworn-in) Date	Shares		Shareholding of spouse and minor children		Shareholdings in the name of others	
				Shares	Share Holding	Shares			
Senior Vice President	Japan	Junichi Ohori	2014.4.1	—	—	—	—	—	—
Senior Vice President	R.O.C	Leman C.C. Lee	2015.1.1	—	—	—	—	—	—
Vice President	Japan	Moritami Matsumoto	2014.4.1	—	—	—	—	—	—
Vice President	Japan	Kenji Shimoyama	2014.4.1	—	—	—	—	—	—
Senior General Manager	Japan	Yoshihiro Takahama	2014.7.1	—	—	—	—	—	—
General Manager	R.O.C	Jiang-Shan Lee	2003.10.1	—	—	—	—	—	—
General Manager	R.O.C	Shun-Chi Tsai	2007.1.1	—	—	—	—	—	—
General Manager	R.O.C	Dennis Chang	2012.10.1	—	—	—	—	—	—
General Manager	R.O.C	Tsan-Huang Lin	2009.02.15	—	—	—	—	—	—
General Manager	R.O.C	Yu-Chou Hsieh	2009.7.1	1,000	—	—	—	—	—
General Manager	R.O.C	Wen-Chi Mao	2010.12.1	—	—	—	—	—	—
General Manager	R.O.C	Wen-Chuan Chung	2010.12.1	—	—	—	—	—	—
General Manager		Wen-Chiang Shu	2011.05.18	—	—	—	—	—	—
General Manager		Chiung-Ming, Chou	2013.05.17	—	—	—	—	—	—
General Manager		Chao-Yen Liang	2015.1.1	—	—	—	—	—	—
Accounting Manager		Chen-Hua, Chi	2015.05.11	—	—	—	—	—	—

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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
Musashi Institute of Technology, Master, Faculty of Engineering	—	—	—	—
Department of Mechanical Engineering, National Taiwan University	Supervisor, Taiwan Acceptance Corporation 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, Kaihsin Insurance Agent Co.Ltd. Director, Sinjang Co. Ltd Director, Tianwang Co. Ltd Director, Qun Min Corporation Director, Hui-Lian Motor Co., Ltd	—	—	—
Tokai University	—	—	—	—
Faculty of Engineering, Department of Mechanical Engineering, Kogakuin University	—	—	—	—
Department of Law, Faculty of Law, SOPHIA University	—	—	—	—
Master of Civil Engineering, University of Maryland	—	—	—	—
Industrial Engineering, Chung Yuan Christian University. Master of International Business Management, Curtin University of Technology	Director, Empower Motor Co. Ltd. Director, Yuan Long Motor Co. Ltd Director, Qun Min Corporation Director, Singan Co. Ltd	—	—	—
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	—	—	—
Department of Aerospace Engineering, Tamkang University	—	—	—	—
Chung Cheng Institute of Technology National Defense University Department of Vehicle Engineering	—	—	—	—
Master of Business Administration , National Cheng Kung University.	—	—	—	—
Bachelor, Industrial Design, National Cheng Kung University, Taiwan. Master, Industrial Management, National Taiwan University of Science and Technology, Taiwan. Master, International Business Management, Curtin University of Technology, Australia	—	—	—	—
Department of Navigation , National Taiwan Ocean University	Director of Kaihsin Insurance Agent Co. President, Hui-Lian Motor Co., Ltd President, Jin-Lian Co., Ltd.	—	—	—
Department of Mechanical Engineering, National United University	—	—	—	—
Department of Mechanical Engineering, National Chung Hsing University Master of High Level Management, Chiao Tung University	—	—	—	—
University of Idaho (USA) Master of Accountancy	—	—	—	—

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

1. Director's Compensation

Dec. 31, 2014
Unit: NTD Thousand

Title	Name	Director Compensation				Compensation Received by Employees with Concurrent Posts				% of Total Amount of A, B, C and D against Net Profit after Tax		Whether Reinvested in Business or Compensation on is Received from Companies other than Subsidiaries
		Compensation (A) The Company included in consolidated statement	Compensation of Surplus Distribution (B) (Note 2)	Surplus Divided Payment (C) All the companies included in this Company consolidated statement	Business Execution Expense (D) All the companies included in this Company consolidated statement	Salary, Reward and Special Allowance (E) (Note 1)	Compensation of Surplus Distribution (F) (Note 3)	Surplus Divided Employee Bonus (G) The Company included in this consolidated statement	Number of Stocks Allowed to be Subscribed for Employee Stock Options (H) All the companies included in this Company consolidated statement	Granted Employee Restricted Stock (I) All the companies included in this Company consolidated statement	% of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax The Company included in this consolidated statement	
Chairman	Kenneth K.T. Yen											
Director	Kuo-Rong Chen											
Director	Wen -Rong Tsay											
Director	Zhen -Xiang Ya											
Director	Takashi Nishibayashi					22,429						
Director	Atsushi Kuboi					Rent Car 648						
Director	Keiji Hatanaka (Note4)	12,000	0	0	0	Rent Car 648	2,010	454	0	0	0.59%	0.59%
Director	Junichi Ohori (Note4)					Rental Driver 1,114						
Director	Isao Morimoto (Note4)					Rental Driver 2,022						
Director	Moritami Matsumoto (Note4)											
Independent director	Tsong-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:2,010 NTD Thousand

Note 4: Junichi Ohori and Moritami Matsumoto succeeded Keiji Hatanaka and Isao Morimoto as Nissan Motor Co., Ltd. Representative since April 1 2014.

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
Less than NT 2,000,000	Kenneth K.T. Yen , Kuo-Rong Chen , Wen -Rong Tsay , Zhen -Xiang Ya , Takashi Nishibayashi , Atsushi Kubo , Keiji Hatanaka , Junichi Ohori , Isao Morimoto , Moritami Matsumoto , Tsong-Jen Huang , Robert Mao	Kenneth K.T. Yen , Kuo-Rong Chen , Wen -Rong Tsay , Zhen -Xiang Ya , Takashi Nishibayashi , Atsushi Kubo , Keiji Hatanaka , Junichi Ohori , Isao Morimoto , Moritami Matsumoto , Tsong-Jen Huang , Robert Mao	Kuo-Rong Chen , Zhen -Xiang Ya , Takashi Nishibayashi , Atsushi Kubo , Keiji Hatanaka , Isao Morimoto , Tsong-Jen Huang , Robert Mao
NT2,000,000 ~ NT5,000,000		Junichi Ohori , Moritami Matsumoto	Junichi Ohori , Moritami Matsumoto
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	12	12	12

2.Compensation of supervisors

Dec. 31, 2014

Unit:NTD Thousand

Title	Name	Supervisor Compensation				% of Total Amount of A, B and C against Net Profit after Tax		Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries	
		Remuneration (A)		Surplus Divided Remuneration (B)		Business Execution Expense (C)	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	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li Tai-Ming Chen	3,600	3,600	0	0	0	0.06%	0.06%	Nil
Supervisor	Yosuke Sato								

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	Kwan-Tao Li、Tai-Ming Chen、Yosuke Sato	All the companies included in this consolidated statement D Kwan-Tao Li、Tai-Ming Chen、Yosuke Sato
NT2,000,000 ~ NT5,000,000		
NT5,000,000 ~ NT10,000,000		
NT10,000,000 ~ NT15,000,000		
NT15,000,000 ~ NT30,000,000		
NT30,000,000 ~ NT50,000,000		
NT50,000,000 ~ NT100,000,000		
More than NT100,000,000		
Total	3	3

3: Compensation of the President and Senior Vice President

Dec. 31, 2014 Unit: NT Thousand

Title	Name (Note 1)	Salary (A)		All the companies included in this consolidated statement	Reward and Special Allowance (B)		Surplus Divided Employee Bonus (C)			% of Total Amount of A, B, C and D against Net Profit after Tax		Number of Employee Stock Options Acquired	% of Total Amount of A, B, C, D, E, F and G against Net Profit after Tax		Whether Reinvestment Business Compensation is Received from Companies other than Subsidiaries
		The Company	All the companies included in this consolidated statement		The Company	All the companies included in this consolidated statement	Cash Bonus	Stock Bonus	The Company	All the companies included in this consolidated statement	The Company		All the companies included in this consolidated statement		
President	Wen-Rong Tsai				5,383 Rent 324	5,383 Rent 324									
Special Assistant to the Chairman	Kuo-Rong Chen	6,075	6,075	734	Car Rental 829	734	454	0	0.21%	0	0	0	0	0	NIH
Senior Vice President	Keiji Hatanaka				Driver 1,401										
Senior Vice President	Junichi Ohori														

Compensation Range Table

The Compensation Range for General Managers and Vice	Number of President and Senior Vice President
General Managers of the Company	The Company
Less than NT2,000,000	Kuo-Rong Chen, Keiji Hatanaka
NT2,000,000 ~ NT5,000,000	Junichi Ohori
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	4

Note (1) Actual pensions account: 0 NTD Thousand (2) recognized pensions account: 734 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, 2014
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(Note1)						
	Senior Vice President	Junichi Ohori(Note2)						
	Vice President	Isao Morimoto(Note1)						
	Vice President	Leman C.C. Lee						
	Vice President	Moritami Matsumoto(Note2)						
	Vice President	Takeshi Fujiwara(Note1)						
	Vice President	Kenji Shimoyama(Note2)						
	Manager	Jiang-Shan Lee						
	Senior General Manager	Takahama Yoshihiro(Note3)	-	-	-	2,613 (Note)	2,613 (Note)	0.04% (Note)
	Manager	Chiung-Ming, Chou						
	Manager	Shun-Chi Tsai						
	Manager	Bruce Cheng						
	Manager	Tsan-Huang Lin						
	Manager	Yu-Chou Hsieh						
	Manager	Wen-Chuan Chung						
	Manager	Wen-Chi Mao						
	Manager	Wen-Chiang Shu						
	Financial Supervisor	Chao-Yen Liang						
Accounting Manager	Chen-Hua Chi							

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

Note 1 : Resigned on Apr 1, 2014.

Note 2 : Appointed on Apr 1, 2014.

Note 3 : Appointed on Jul 1, 2014.

(4) Analysis and description of the net profits macro or individual financial report after payment of remuneration made out to directors, supervisors, president, and vice president in the last 2 years.

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	2014 year			2013 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	6,523,759	0.18%	12,000	7,299,997	0.16%
Supervisor	3,600	6,523,759	0.06%	3,200	7,299,997	0.04%
President and Senior Vice President	13,799	6,523,759	0.21%	12,697	7,299,997	0.17%
Total	29,399	6,523,759	0.45%	27,897	7,299,997	0.38%

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	Wen-Rong Tsay	5	0	100%	
Corporation Director Representative	Zhen -Xiang Ya	5	0	100%	
Corporation Director	Nissan Motor Co., Ltd.				
Corporation Director Representative	Takashi Nishibayashi	1	4	20%	
Corporation Director Representative	Atsushi Kubo	2	3	40%	
Corporation Director Representative	Keiji Hatanaka	1	0	100%	Resigned on April 1, 2014
Corporation Director Representative	Isao Morimoto	1	0	100%	Resigned on April 1, 2014
Corporation Director Representative	Junichi Ohori	4	0	100%	Appointed on April 1, 2014
Corporation Director Representative	Moritami Matsumoto	4	0	100%	Appointed on April 1, 2014
Independent Director	Tsong-Jen Huang	5	0	100%	
Independent Director	Robert Mao	4	1	80%	
Corporation Supervisor	Wei Wen Investment Co., Ltd.				
Corporation Supervisor Representative	Kwan-Tao Li	4	0	80%	
Corporation Supervisor Representative	Tai-Ming Chen	5	0	100%	
Supervisor	Yosuke Sato	2	0	40%	

Other Notes:

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

(2) Operational Status of the Audit Committee: Nil

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

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

Title	Name	Number of Times for Actual Attendance	% of Actual Attendance	Note
Corporation Person Supervisor	Wei Wen Investment Co., Ltd.			
Natural Person Supervisor Representative	Kwan-Tao Li	4	80%	
Natural Person Supervisor Representative	Tai-Ming Chen	5	100%	
Supervisor	Yosuke Sato	2	40%	

Other items that should be stated:

- Composition and Duties of Supervisors:
 - 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
 - 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
- 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

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
1. Does the company develops and discloses corporate governance practice principles in accordance with "Governance Best Practice Principles for TWSE/GTSM Listed Companies."	V		1.The practice was developed on August 4th, 2014 and first revised on March 23th, 2015. 2. The practice is disclosed in the Market Observation Post System and the company website (https://www.nissan.com.tw/tc/explore/investor.aspx).
2. Corporate shareholding structure and shareholders' equity (1) Does the company develop internal operation procedures to for shareholders' suggestions, doubts, disputes, and complaints with implementation according to the procedures?	V		It is stipulated in Clause 13 of the company's Corporate Governance Practice Principles that "the company offers specialists who will properly handle shareholders' suggestion, doubts and disputes. The company reserves the right to develop internal operation procedures to properly process the aforementioned two matters with retention of written records for review and incorporation of internal control system," which will be completed by 2015.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(2) Does the company actually control the main shareholders and the final control list of major shareholders of the company?	V		The company controls the major shareholders and the final control list of the company in addition to disclosing such information on the annual report on "Directors, Supervisors, Managers, and Major Shareholders' Equity Change."
(3) Does the company establish and execute the risk control and firewall mechanism with the affiliated enterprise?	V		The company's corporate governance practice principles specifies the risk assessment with affiliated companies and the importance of necessary control mechanism in addition to developing the "Acquisition or Disposition of Information Asset Procedure," "Endorsement and Guarantee Operation Procedure," "Fund Loaning to Others Operation Procedure," "Internal Major Information Processing Procedure," "Prevention of Insider Trading Management Operation Procedure." The company also establishes spokesperson, investor's contact window, established good internal major information processing and disclosure mechanism to avoid improper information leakage as well as assuring the consistency and accuracy of information published.
(4) Does the company develop internal specification to prohibit insiders from using undisclosed information from the market to buy or sell securities?	V		To prevent company insiders from buying and selling securities using information unpublished, the company has specified the "Internal Major Information Processing Operation Process" and "Prevention of Insider Trading Management Operation Procedure" through the announcement of the company website and routine promotion to directors, supervisors, manager, and employee (email, company internal network).
3. Composition and function of Board of Directors (1) Does the Board of Directors develop diversified guidelines and implement execution in terms of member composition?	V		The company has set up the multiple capacities required for the overall Board of Directors in the corporate governance practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed. The incumbent directors and supervisors not only should possess multiple professional capacity such as operational judgment, business management, industry knowledge, crisis handling, financial and accounting, legal, information technology, and leadership and decision making, but also include foreign directors and supervisors to provide multi-dimensional suggestions for different nationality, viewpoints, and cultural background. The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(2) Does the company also voluntarily establish other functional committee apart from the salary remuneration committee and audit committee?	V		To improve the corporate governance, the company has established the salary remuneration committee to supervise and suggest salary for directors, supervisors and managers in addition to establishing the audit committee on the election of 7th Board of Directors.
(3) Does the company develop Board of Directors Performance Assessment Guidelines and Evaluation Method in addition to conduct annual performance assessment?	V		The company has developed the constructs of performance evaluation for the Board of Directors at the corporate governance practice principles. The company is also scheduled to submit the discussion on performance assessment guidelines and procedures to the Board of Directors in 2015, which will be announced on the company website after approval.
(4) Does the company routinely assess the independence of attesting CPA?	V		The company refers to the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity and Independence" to develop the CPA independence evaluation form. The Board of Directors will use the aforementioned evaluation form to review the independence and competence of the attesting ACP based on the financial interests matters, financing and guarantee, commercial relation with the company, and the enterprise of the attesting CPA and their family.
4. Does the company establish communication channel with the stakeholders, establish stakeholder section on the company website, and properly respond to the key corporate social responsibility issues concerned by the stakeholders?	V		The stakeholders can communicate via business transaction or spokesperson while the company also establishes an investor section on the company website (https://www.nissan.com.tw/tc/explore/investor.aspx) to disclose the contact/complaint window and contact methods for investors and stakeholders, in order to provide immediate response of issues concerned by all stakeholders with response.
5. Does the company commission professional registrar for handling of shareholder meeting affairs?	V		In consideration with the operations between the company and Yulon Group, currently the registrar section of Yulon Motor Co., Ltd. is in charge of the shareholder meeting affairs of the company.
6. Public information (1) Does the company establish website to disclose information on the financial operations and corporate governance?	V		The company has established a corporate website (https://www.nissan.com.tw/tc/explore/investor.aspx) to disclose product information, management, finance, and key corporate regulations and articles regarding corporate governance.
			The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
(2) Does the company adopt other information disclosure methods (i.e. establishing English website, assigning specialist to collect and disclose the corporate information, implement spokesperson system and displaying corporate website at investor meeting?)	V		To treat domestic and foreign shareholders and stakeholders with equity, the company establishes a company website in English (http://www.nissan.com.tw/en/) to disclose the company introduction, management and finance, and social welfare as well as other corporate governance information in English. The investor meeting information is also available in Chinese and English versions which are disclosed at the company website in Chinese and English versions. In case the company holds the investor meeting independently, the company will upload video file for investors to review (currently investors are on invitation basis).
7. Does the company also hold important information that will help understand the corporate governance operation (including but not limited to employee rights, care for employees, investor relation, supplier relation, stakeholders' rights, advanced study by the directors and supervisors, risk management policy and execution of risk evaluations standards, and the company purchasing liability insurance for directors and supervisors).	V		<p>Employee rights and care for employees: Please refer to V. Operation Overview, 5. Labor-Employee Relation of this annual report. Apart from building the Yulon Community in Sanyi, Miaoli County, the company started cooperation with Hsinchu City Lifeline Association in 2015 to provide "EAP Employee Assistance Program" through professional and confidential consulting channel.</p> <p>Relation with investors and stakeholders: The company offers spokesperson and professional registrar institute as well as announcing significant information on the bulletin of Public Observation Post System in Chinese and English concurrently, and the company website in Chinese and English with equal treatment for domestic and foreign investors/stakeholders.</p> <p>Relation with supplier: As a member of community, the company continues to pay attention to environmental protection, health and safety, and human rights for labor, emphasizes on establishing sustainable development relation with vendors, and bring the impact into full play to urge the vendor on the supply chain to follow up. The company also develops vendor sustainable development activities including management guidelines, conduct principles, evaluation, counseling, and performance management, to announce to the company website. ° There are additional vendor management guidelines and routine associate assembly for use as the diversified channel for education training and bilateral communication.</p> <p>Directors and supervisors: The company set up 13 supervisors and directors, including 2 independent directors and 3 supervisors to supervise the corporate operation for the investors. The directors and supervisors pursues advanced study each year according to the "Guidelines for</p>

Evaluation Items	Operations (Note 1)		Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	
			<p>Promoting Pursuit of Advanced Study for Directors and Supervisors of TWSE/STSM Listed Companies.” Such information on the attending Board of Directors and advanced study shall be disclosed at the Public Observation Post System. The Board of Director Performance Evaluation Guidelines and Procedures will undergo evaluation upon development to assure the equity of investors and stakeholders. Additionally, Nissan Motor Co., Ltd. has insured for the directors and supervisors with liability insurance in the coverage of USD75 million, including the directors, supervisors and key staff of the company.</p> <p>Consumer or client protection policy: The company sets up 24-hour 0800 toll-free phone consulting service hotline to provide distribution operation and service office query, new car information announcement, towing assistance, client requirement assistance, suggestions and compliant case processing, providing consumers with comprehensive equity consulting channel and demand services.</p> <p>Execution of risk management policy and risk measurement standards: Please refer to VII. 6. Risk Management and Evaluation of the annual report.</p>
8. Does the company offer corporate governance self-evaluation report or commission other professional institutes with corporate governance assessment report? (If so, please describe the opinions from the Board of Directors, self-evaluation or commissioned assessment results, major flaws or suggestions and improvement) (Note 2).	V		<p>The company shall conduct corporate governance self-evaluation in 2015 and will disclose on the company website and Public Observation Post System for availability to investors and stakeholders.</p> <p>The company has complied with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and executed the matters prescribed on the left.</p>

Note 1: Provide description on the summary and description column regardless of checking on “yes” or “no” for the operations.

Note 2: The so-called corporate governance self-evaluation refers to the self-evaluation and description provided by the company in accordance with the corporate self-governance items on the report about the current corporate operations and executions.

(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, 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	
Tsong-Jen Huang Independent Director			V	V	V	V	V	V	V	V	V	1
Robert Mao Independent Director			V	V	V	V	V	V	V	V	V	1
Yun-Hua Yang Other	V	V		V	V	V	V	V	V	V	V	3

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) Operational Status of Remuneration Committee :

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 three (A) regular meetings in 2014. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Chair	Tsong-Jen Huang	2	1	67%	
Member	Robert Mao	1	1	33%	
Member	Yun-Hua Yang	3	0	100%	

Annotation:

1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2014.
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:

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
<p>1. Implementation of corporate governance</p> <p>(1) Does the company develop corporate social responsibility policy or system and review the effectiveness of implementation?</p> <p>(2) Does the company routinely organize social responsibility education training?</p> <p>(3) Does the company establish and promote full-time(part-time) corporate social responsibility department, where the Board of Directors authorize senior management to process and report to the Board of Directors of the processing?</p> <p>(4) Does the company develop reasonable salary and remuneration policy in addition to combining employee performance appraisal system and corporate social responsibility, as well as establishing explicit and effective rewards and punishment system?</p>	V		<p>The company has developed corporate social responsibility policy at the Board of Directors on May 11, 2015 and established project committee to promote the different activities with routine reporting of the corporate performance in corporate social responsibility to the Board of Directors. The promotion effectiveness of 2014 CSR will be disclosed on the CSR report to be published by the end of 2015.</p> <p>Organizing different corporate social responsibility education training from time to time.</p> <p>The company has established CSR Project Committee in March 2015, where the President serves as the coordinator, the Vice President as the vice coordinator, and the responsible human HR department shall be responsible for promoting relevant activities with routine reporting to the Board of Directors.</p> <p>1. The company has established the Remuneration Committee in 2011 and routinely calls for meetings to develop reasonable salary system. 2. Corporate social responsibility is part of the work and has been managed and required by improved performance and reward/punishment system.</p>	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
<p>2. Development of sustainable environment</p> <p>(1) Does the company devote in the improvement on the utilization efficiency of various resources and use recycled materials with low environmental impact?</p>	V		<p>1. Establishing environmental safety official organization in charge of promotion and advocacy of various energy-saving policies to upgrade the resource utilization efficiency. 2. New cars released to the market starting in 2009 shall comply with the "Voluntary Automobile Resource Recycling and Reuse Specification" for R&D/design of products, to promote the voluntary automobile resources</p>	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
<p>(2) Does the company establish proper environmental management system in accordance with its characteristics of industry?</p> <p>(3) Does the company pay attention on the impact of climate change on operational activating and execute strategies on greenhouse gas inventory, develop corporate energy-conservation and carbon emission reduction, and greenhouse gas reduction?</p>	V		<p>recycling and reuse specification.</p> <p>1) The vehicle recovery rate has far exceeded the standard (80%) and reached 92.7%~95.1%.</p> <p>2) Vehicle recovering and reuse rate has far exceeded the standard (85%) and reached 96.2%~98.1%.</p> <p>3) Restriction on the use of four environmentally hazardous heavy metals, including lead, mercury, cadmium, and hexavalent chromium.</p> <p>Established environmental management system in April 2015 to promote relevant environmental management policies.</p>	
<p>3. Maintenance of social welfare</p> <p>(1) Does the company develop relevant management policy and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?</p> <p>(2) Does the company establish employee complaint mechanism and channel with proper handling?</p>	V		<p>1. The company started conducting greenhouse gas inventory in 2013 and the result of 2014 inventory is 1439.32 metric tons of CO₂e/year.</p> <p>2. Continuous promotion of energy-saving and carbon reduction measures and introducing multiple Grade-1 oil consumption energy-saving models with recognition by the environmental and energy-saving marks from the government.</p> <p>3. Continuing to introduce low oil-consumption car models, zero-emission electric vehicles and other green products to achieve the objectives in energy conservation and carbon reduction.</p> <p>The company has developed management policy and procedure in accordance with relevant laws and regulation and International Bill of Human Rights</p>	<p>In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>
	V		<p>1. Establishes diverse employee communication channel and handles employee problems immediately.</p> <p>2. The employee complaint practice will be completed by 2015.</p>	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(3) Does the company routinely provide safe and healthy work environment for employees in addition to implementing safety and health education?	V		<ol style="list-style-type: none"> 1. Complying with safety health regulations and provide safe and healthy work environment with routine implementation of education and training to assure the safety of employees at work. 2. Provide proper protection equipment for employees engaging in special operations. 3. Routinely inspect on all equipment and implement equipment operation training for employees. 	
(4) Does the company establish routine communication mechanism with employees and notify the employees of the operational change that could possibly cause major impact through reasonable means?	V		Monthly publication of “YNM Operation Report” that allows employees to fully grasp the current corporate operations and major events.	
(5) Does the company establish effective career competence development training program for employees?	V		Diverse career competency development training system is available and employees are encouraged to develop multi-task and shift rotation.	
(6) Does the company develop relevant rights/interest policy and complaint procedures to protect consumers in accordance with the R&D, purchase, production, operation, and service process?	V		Establishing 0800 toll-free 24-hour customer service hotline with routine organization of associate supplier assembly to facilitate the communication channel.	
(7) Does the company comply with all relevant laws and regulations and international standards for the marketing and labeling of products and services?	V		The marketing and labeling of products and services are in compliance with the relevant laws and regulations as well as NISSAN specification to assure the rights and interests of consumers.	
(8) Does the company evaluate the past records of vendors with impact on the environment and society prior to the business?	V		<ol style="list-style-type: none"> 1. Comply with ISO H00-B-A003 V Supplier Environment Impact Management Procedures. New vendors must be evaluated for their impact on the environment in accordance New Vendor Environment Impact Assessment Form. 2. The outsourcing of new cars after X-Trail will increase the environmental investigation items on the Vendor Quotation Form. 	

Evaluation Items	Operations			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(9) Does the contract signed between the company and the major vendors include policy on vendor involving the violation of corporate social responsibility with significant impact on the environment and society and clauses that could terminate or cancel the contract at any time?	V		The contract with vendor, "Vehicle Components Sales Contract," specifies the follows: (1) Environmental Protection Clause (Clause 56). (2)Electroplating Process Warranty Clause (Clause 57). (3) Integrity Management Clause (Clause 58) (4) Compliance with Laws and Regulations (Clause 59)	
4. Strengthen information disclosure (1) Does the company disclose relevant corporate social responsibility with relevance and reliability on the company website and Market Observation Post System?	V		The relevant information is disclosed on the company website http://www.nissan.com.tw and the Market Observation Post System on a regular basis.	In compliance with the philosophy of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
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: In compliance with the policies promoted by the "Corporate Social Responsibility Practice Principles" of the company.				
6. Other critical information that helps understand the operation of corporate social responsibility: N/A.				
7. Provide description if the corporate social responsibility report has been met the certification standard of relevant certification institute: N/A.				

Note 1: Provide description on the summary and description column regardless of checking on "yes" or "no" for the operations.

Note 2: For companies having prepared the Social Corporate Responsibility Report, provide remarks on the summary and description to check through the Corporate Social Responsibility Report or index page.

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

Implementation of Integrity Operation

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
<p>1. Develop ethical management policy and program</p> <p>(1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?</p> <p>(2) Does the company develop prevention on non-integral conducts program to specify the operation procedures, conduct guide, punishment and complain system for violation with implementation in all programs?</p> <p>(3) Does the company adopt prevention measures according to Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other operational activities of other business scope without higher unethical behavior risk?</p>	V		<p>To declare the company's determination in active implementation of ethical management, the company has developed ethical management practice with disclosure through the Public Observation Post System and the company website. In addition to specifying the company policy on ethical management and prevention programs through the aforementioned practice, the company also develops work conducts according to the organizational structure, department and sections, requiring all company employees including the directors and management to implement ethical management.</p> <p>The company develops "work conduct," "internal significant information processing operation procedures," "management and review operation process," and "sexual harassment complaint process" to regulate employee behavior in scandals, embezzlement of public funds and gender equality in workplace. In case of discovery and verification of investigation, the company shall make claims from the employees and the guarantors.</p> <p>The company establishes one complete management system to explicitly specify the rights and obligations between the labor and employers with reference on relevant laws and regulation on work conducts as the guidelines for company operation and employees in the execution of operations. In case the company personnel encounter unethical behaviors from others with involvement of legal violations, the company shall report the relevant facts to the judicial or prosecuting agency. In the event public service agency or public service officials are involved, the company shall also report the anti-corruption agency of the government to process.</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
<p>2. Implementation ethical management</p> <p>(1) Does the company evaluate the ethical records of transacting targets and specify the ethical behavior clauses in the contract signed with the transacting targets.</p>	V		<p>The contracts between transacting parties shall undergo review by professional and legal personnel with specification of ethical management clauses to specify the offering or acceptance of bribery and other unethical conducts with claims for indemnification.</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
(2) Does the company establish a full-time (part-time) organization promoting corporate ethical management under the Board of Directors in addition to routinely report to the Board of the Directors for execution?	V		The company's ethical management practice has been approved for the first time on August 4 th , 2014 and underwent first revision on March 23 rd , 2014. The Board of Directors serves as the business planning and financial department competent authority to promote ethical management related matters, in addition to coordinating with relevant department for the development of prevention program. The preventions will be included as reporting matters to Board of Directors with routine reporting to the Board of Directors for execution.	
(3) Does the company develop conflict of interest policy, provide proper petition channel and implement the execution?	V		The company develops "Regulations Governing the Board of Director Meeting" with specification that in case the matters of that Board of Director meeting is in conflict of interest with the stakeholders or the corporation represented, the directors shall explain the significant content of stakeholder relation at the Board of Directors. In case the content in in concern for jeopardizing the company interest, the directors may not join the discussion and voting while avoiding during discussion and voting. The directors may not act on other directors to exercise their voting right.	
(4) Has the company established valid accounting system and internal control system to implement ethical management with the internal audit department routinely audit or the CPA executes inspection?	V		Apart from developing relevant ethical management practice and regulations, the audit office conducts audit on stakeholder transactions and inside trading each year according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies." In the event of receiving any reporting on violations, the Board of Directors and relevant competent authorizes will be reported for handling. Additionally the company will hold internal control systems self-evaluation operations to assure the validity of internal control and audit.	
(5) Does the company routinely hold domestic and external educational training for ethical management?	V		The company implements education training for ethical behavior for all new employees. The company also develops ethical behavior related content in work conducts in addition to promoting "internal significant information process operation procedures" through internal website and "prevention of inside trading management operation process" to prevent unethical conducts and to advocate the importance of ethical management in routine education and training.	

Evaluation Items	Operations (Note 1)			Discretions with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons
	Yes	No	Summary and Description	
<p>3. Operations of company reporting system</p> <p>(1) Does the company develop specific reporting and incentive system and establishing convenient reporting channel in addition to assigning proper handling specialist for the target reported?</p> <p>(2) Does the company develop investigation standard operation process and relevant confidential mechanism for accepting reported matters?</p> <p>(3) Does the company adopt measures that protect the informer without facing improper treatment due to reporting?</p>	V		<p>In case the company personnel is discovered with violation of ethical management, follow the work conducts and employee complaint processing system to claim and report to the company supervisor, audit office, business planning and financial department, and management department. In case the investigation is verified, the personnel shall be punished according to the internal regulation and laws.</p> <p>In case the company personnel are discovered with unethical behavior, port to the aforementioned diversified windows and the company will immediately investigate the case. The company will take actions according to the laws and regulations once the verified by the investigation.</p> <p>Upon receiving reporting, confidential measures will be immediately activated to assure non-disclosure of the name and labor number of the informer or other personal information that could be used to identify the employees.</p>	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
<p>4. Strengthen information disclosure</p> <p>(1) Does the company disclose the content of ethical management practice developed and promote the effectiveness on the company website and Public Observation Post System?</p>	V		The company discloses the complete content of ethical management practice of the company on the company website and Public Observation Post System in addition to incorporate the matters to be reported to the Board of Directors, routinely submit the execution and promotion effectiveness to the Board of Directors.	Compliance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and implementation of the matters mentioned on the left.
<p>5. For companies having developed independent ethical management practice in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the discretion between the operation and practice developed :</p> <p>The company has developed shareholder’s meeting regulations, Board of Directors meeting standards, internal major information processing operation procedures, prevention of insider transaction management operation procedures, classified document management guidelines, and public announcement and promotion to the company personnel (directors, supervisors, employees, and appointed personnel). Additionally the company has followed “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” to develop the ethical management practice of the company that has been reviewed without discretion between the actual operations and the aforementioned practice.</p>				
<p>6. Other critical information that helps understand the operations of the ethical corporate management: (ethical management practice that has been revised and developed under corporate review).</p> <p>The company has referred to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” for the development of the ethical management practice of the company. The practice has been approved by the Board of Directors on August 4th, 2014 and was revised on March 23, 2015 for the first time.</p>				

Note 1: Provide description on the summary and description column regardless of checking on “yes” or “no” for the operations.

(8) Inquiry Method of Governance Codes, Important Information for enhancing realization of Operation of Corporate Governance and Relevant Regulations Established by the Company

The “Investor Information” on the company website has disclosed relevant corporate governance, integrity management practice and other regulations, and will be updated from time to time.

(9) Execution Status of Internal Control System

1. Statement of Internal Control System

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

Date: March 23, 2015

Yulon Nissan Motor Company (Yulon Nissan) has conducted a self-check of internal control for the period of January 1, 2014 to December 31, 2014. The results are as follows:

1. Yulon Nissan acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an Internal Control System. The said system has already been duly established at Yulon Nissan. The purposes of the Internal Control System is to provide a reasonable assurance for the Company's efficient and effective operations (including profit, performance and safeguard of assets, and etc.), the reliability of financial reports, and the compliance with applicable laws and regulations.
2. Yulon Nissan also acknowledges that the Internal Control System possesses inherent constraints irrespective of the intended impeccability of the system design and therefore could only provide a reasonable assurance of the three aforementioned goal. Due to the changes in environment and circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Internal Control System is equipped with self-monitoring mechanisms. Should any flaws be recognized, the Company would enforce corrective measures immediately.
3. The company evaluates the effectiveness of the design and implementation of its Internal Control System in accordance with the Guidelines for the Establishment of Internal Control System by Public Companies (the "Guidelines"). The said Guidelines divide internal control into five components: (1) Control Environment, (2) Risk Assessments, (3) Control Operations, (4) Information and Communication, and (5) Monitoring. Each component comprises certain factors. More information regarding the said factors is available in the aforesaid Guidelines.
4. Yulon Nissan has assessed and evaluated the design and effectiveness in the design and performance of the aforementioned system.
5. Based upon the evaluation of the aforementioned system, Yulon Nissan considered the Internal Control System during the opening period (including supervision and management of subordinates), which included the Design and performance of the known operation effectiveness and the degree of reaching the efficiency goals, reliability of financial reporting and obeying the related internal control system of the relevant laws, are all effective, and it can ensure that the aforementioned goals can reasonably reached.
6. The Statement of Internal Control System will be a prominent feature of Yulon Nissan annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Exchange Law shall apply.
7. This Statement of Internal Control System has been approved by Yulon Nissan Board of Directors at the meeting of March 23, 2015 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 CPAs' Internal Control System : Nil

(10) Company or employees, who have been penalized by laws, or employees received penalties From company for violating the internal control regulations, major Shortcomings and Status of improvements in Fiscal Year 2014 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 2014 and prior to the publication date of annual report

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	Mar 24, 2014	<ol style="list-style-type: none"> 1. Passed 2013 Operating Report and Financial Statements. 2. Passed to convene the Company's Shareholders General Meeting 2014. 3. Passed modification of " Operating Procedures for Assets Acquisition and Disposal". 4. Passed YNM's "2013 Declaration Statement of Internal Control". 5. Passed of the managerial personnel's discharge and assignment.
Board of Directors	May 9, 2014	<ol style="list-style-type: none"> 1. Passed the Company's surplus distribution for fiscal year 2013 ; each stock is issued with a total of NTD 19.47 as a cash dividend. 2. Passed 2014 operational target and budget plan. 3. Passed "Internal Control System" and "Internal Audit Implementation Rules" under "Operating Procedures for Assets Acquisition and Disposal". 4. Passed shareholder's proposal for 2014 Shareholders' Meeting.
Shareholders Meeting	June 23 2014	<ol style="list-style-type: none"> 1. Passed to acknowledge the Company's final statement of fiscal year 2012 2. Adoption of the Company's surplus distribution proposal for fiscal year 2013 each stock is issued with a total of NTD 19.47. 3. Passed amendment to " Operating Procedures for Assets Acquisition and Disposal".
Board of Directors	August 4, 2014	<ol style="list-style-type: none"> 1. Passed amendment to "Articles of Incorporation". 2. Passed amendment to "Rules of Procedure for Shareholders' Meeting". 3. Passed to change the CPA and evaluate the independence. 4. Passed amendment to "Stocks Affair Internal Control System" and "Stocks Affair Internal Audit Implementation Rules". 5. Passed establishment of "Principles of Corporate Governance". 6. Passed establishment of "Principles of Ethical Corporate Management". 7. Passed establishment of "Principles of Corporate Social Responsibility".
Board of Directors	Nov 10, 2014	<ol style="list-style-type: none"> 1. Passed Company's Internal Control Statement of 2015. 2. Passed supplementation to "Internal Control System" and "Internal Audit Implementation Rules". 3. Passed the Lift on The Prohibition on Managerial Personnel from "Concurrently Act as A Managerial Personnel of Another Company".
Board of Directors	Dec 22, 2014	<ol style="list-style-type: none"> 1. Passed the supplementation to the system of "Personal Information Protection". 2. Passed the supplementation to the system of "Intellectual Property Acquisition, Protection and Implementation" 3. Passed 2015 Remuneration Committee Calendar. 4. Passed the managerial personnel's assignment.
Board of Directors	Mar 23, 2015	<ol style="list-style-type: none"> 1. Passed 2013 Business Report and Financial Statements. 2. Passed proposal of an Election of Directors and Supervisors. 3. Passed to convene the Company's Shareholders General Meeting 2015. 4. Passed approval of an Internal Audit Officer Appointment. 5. Passed YNM's "2014 Declaration Statement of Internal Control". 6. Passed amendment to "Principles of Corporate Governance". 7. Passed amendment to "Principles of Ethical Corporate Management".

Title of Meeting	Date of Meeting	Important Resolutions
Board of Directors	May 11, 2015	<ol style="list-style-type: none"> 1. Passed proposal of an accounting officer appointment. 2. Passed 2015 operational target and budget plan. 3. Passed amendment to "Internal Control System" and "Internal Audit Implementation Rules". 4. Passed the Company's surplus distribution proposal for fiscal year 2014 each stock is issued with a total of NTD30. 5. Passed nomination of the Candidate list of Independent Directors for 2015 Shareholders' Meeting. 6. Passed release the prohibition on directors from participation in competitive business. 7. Passed amendment to "Principles of Corporate Social Responsibility". 8. Passed formulation of "Principles of Corporate Social Responsibility".

(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 in fiscal year 2014 and prior to the publication date of the annual report: Nil

(13) The discharge and resignation of chairman, president, accounting chief, financial affairs chief, internal audit chief, and R&D supervisors for 2014 and prior to the Publication Date of the Annual Report :

Title	Name	Date of Office	Date of Resignation and Discharge	Reason of Resignation and Discharge
Internal Audit Chief	Yuan-Bin Niu	92.10.22	104.02.01	Retirement
Accounting Manager	Yan-Jung Kuan	100.02.09	104.05.08	Retirement

4. Information on CPA Audit fees

(1) Information on CPA Audit Fees :

CPA firms	CPA's Name		Audit Period	Note
Deloitte & Touche CPA Firm	Chien-Hs in Hsieh	En-Ming Wu	2014.01.01-2014.03.31	Due to the CPA Firm's internal arrangement
Deloitte & Touche CPA Firm	Chien-Hs in Hsieh	Wan-Yi Liao	2014.04.01-2014.12.31	

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 contents 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 CPAs:

Change Date	August 4, 2014		
Change Reason and Explanation	The Company appointed CPAs Chien-Hsin Hsieh and En-Ming Wu of Deloitte CPA Firm as the CPAs of auditing 2013 financial statements. Due to the CPA Firm's internal arrangement, the successive CPAs will be Chien-Hsin Hsieh and Wan-Yi Liao instead for 2014 financial statement audit.		
Termination Explanation from Appointor or CPA	Counterparty	CPA	Appointor
	Situation		
	Initiative Termination	Not Applicable	Not Applicable
	Reject Acceptance/Continuance	Not Applicable	Not Applicable
Audit opinion other than unqualified opinion within two years and its reason	None		
Different opinions between CPA and issuer	Yes		Accounting principle or practice
			Disclosure of financial report
			Audit scope or procedure
			Other
	No	√	
Not e:	Not Applicable		
Other disclosures (based on article 10-5-1-4 of Compilation Guidelines for Public Company Annual Reports)	None		

(2) Information of the Successive CPAs:

Firm Name	Deloitte & Touche CPA Firm
CPA Name	CPAs Chien-Hsin Hsieh and Wan-Yi Liao
Appointment Date	Resolved by the Board of Director on August 4, 2014
Accounting practices or principles for certain transactions and possible audit opinions and results of financial statements before appointment	Not applicable
Different opinions between succeeding and preceding CPAs in writing	Not applicable

(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 2014 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 2014		Current Fiscal Year and before May 12, 2015	
		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: Wen-Rong Tsai	-	-	-	-
Director	Yulon Motor Co., Ltd. Representative: Zhen -Xiang Ya	-	-	-	-
Corporation Director	Nissan Motor Co., Ltd.	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Takashi Nishibayashi	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Atsushi Kubo	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Keiji Hatanaka (Note 1)	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Junichi Ohori (Note 2)	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Isao Morimoto (Note 1)	-	-	-	-
Director	Nissan Motor Co., Ltd. Representative: Moritami Matsumoto (Note 2)	-	-	-	-
Corporation Supervisor	Wei Wen Investment Co., Ltd	-	-	-	-
Supervisor	Wei Wen Investment Co., Ltd Representative: Kwan-Tao Li	-	-	-	-
Supervisor	Wei Wen Investment Co., Ltd Representative: Tai-Ming Chen (Note 4)	-	-	-	-
Independent Director	Tsong-Jen Huang	-	-	-	-

Title	Name	Fiscal year 2014		Current Fiscal Year and before May 12, 2015	
		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	-	-	-	-
Supervisor	Yosuke Sato	-	-	-	-
President	Wen-Rong Tsai	-	-	-	-
Special Assistant to the Chairman	Kuo-Rong Chen	-	-	-	-
Senior Vice President	Keiji Hatanaka (Note1)	-	-	-	-
Senior Vice President	Junichi Ohori(Note2)	-	-	-	-
Senior Vice President	Leman C.C. Lee(Note3)	-	-	-	-
Vice President	Isao Morimoto (Note1)	-	-	-	-
Vice President	Moritami Matsumoto(Note2)	-	-	-	-
Vice President	Takeshi Fujiwara(Note1)	-	-	-	-
Vice President	Kenju Shimoyama (Note2)	-	-	-	-
Senior General Manager	Yoshihiro Takahama(Note4)	-	-	-	-
Manager	Jiang-Shan Lee	-	-	-	-
Manager	Chiung-Ming, Chou	-	-	-	-
Manager	Shun-Chi Tsai	-	-	-	-
Manager	Dennis Chang	-	-	-	-
Manager	Tsan-Huang Lin	-	-	-	-
Manager	Yu-Chou Hsieh	-	-	-	-
Manager	Wen-Chuan Chung	-	-	-	-
Manager	Wen-Chi Mao	-	-	-	-
Manager	Wen-Chiang Shu	-	-	-	-
Manager	Chao-Yen Liang (Note3)	-	-	-	-
Accounting Manager	Chen-Hua, Chi(Note5)	-	-	-	-

Note 1 : Resigned on Apr 1, 2014.

Note 2 : Appointed on Apr 1, 2014.

Note 3 : Appointed on Jan 1, 2015.

Note 4 : Appointed on Jul 1, 2014

Note 5 : Appointed on May 11, 2015

(2)Information of Share Changes:Nil

(3)Information of Share Collateralizing:Nil

8. Information on the top-10 shareholders who are affiliates or related as spouse or second cousins:

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		Title, name, and relationship of the top-10 shareholders who are affiliates or related as spouse or second cousins		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	5,000	-	-	-	-	-	-	-	
Wen-Rong Tsai	-	-	-	-	-	-	-	-	
Zhen -Xiang Yao	-	-	-	-	-	-	-	-	
Nissan Motor Corporation	120,000,000	40.00	-	-	-	-	-	-	Director
Takashi Nishibayashi	-	-	-	-	-	-	-	-	Representative OF Directo
Atsushi Kubo	-	-	-	-	-	-	-	-	
Junichi Ohori	-	-	-	-	-	-	-	-	
Moritami Matsumoto	-	-	-	-	-	-	-	-	
Yu Ching Business Co., Ltd.	3,500,000	1.17	-	-	-	-	Yulon Motor Co., td. Sin Chi Co., Ltd.	Mother Company Subsidiary of Yulon Motors Co., Ltd.	Representative: Kenneth K.T.Yen
Sin Chi Co., Ltd.	3,050,000	1.02	-	-	-	-	Yulon Motor Co., td. Yu Ching Business Co., Ltd.	Mother Company Yulon Motors Co., Ltd.	Representative: Kuo-Rong Chen
Cathay Life Insurance Co., Ltd	2,389,000	0.80	-	-	-	-	-	-	Representative: Hong-tu Tsai
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
Kwan-Tao Li	-	-	-	-	-	-	-	-	Representative OF supervisors
Tai-Ming Chen	-	-	-	-	-	-	-	-	Representative OF supervisors
Wei Tai Investment Co., Ltd.	1,776,000	0.59	-	-	-	-	Yulon Motor Co., td.	The chairman is the large shareholder who has ability to control company.	Representative: 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.	Representative: Wei Gong Chi
Bureau of Labor Insurance – New Plan	1,067,000	0.36	-	-	-	-	-	-	Non-juristic person, not applicable
Taiwan Life Insurance Co. Ltd	952,000	0.32	-	-	-	-	-	-	Representative: Shu-Bo Su

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

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

May 12, 2015

Structure of Shareholders Quantity(Qty)	Governmental Institution	Financial Institution	Other Institution	Natural Person	Foreign Institutional and Natural Person	Total
	Number	1	12	78	4,191	75
Shares	1,067,000	4,534,208	159,587,583	10,817,918	123,993,291	300,000,000
Percentage	0.35	1.51	53.20	3.61	41.33	100.00

(3) Status of Ownership Dispersion

Par value per share: NTD 10.00

May 12, 2015

Shareholding class	No. of shareholders	Shares	Percentage
1 ~ 999	540	44,565	0.01%
1,000 ~ 5,000	3,341	5,548,067	1.85%
5,001 ~ 10,000	243	1,928,920	0.64%
10,001 ~ 15,000	71	906,000	0.30%
15,001 ~ 20,000	39	726,000	0.24%
20,001 ~ 30,000	30	774,920	0.26%
30,001 ~ 40,000	19	684,523	0.23%
40,001 ~ 50,000	11	526,293	0.17%
50,001 ~ 100,000	21	1,428,000	0.48%
100,001 ~ 200,000	18	2,337,639	0.78%
200,001 ~ 400,000	8	2,103,000	0.70%
400,001 ~ 600,000	4	1,851,073	0.62%
600,001 ~ 800,000	2	1,529,000	0.51%
800,001 ~ 1,000,000	1	952,000	0.32%
Make a self classification based on the actual situation when above 1,000,001	9	278,660,000	92.89%
Total	4,357	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
Cathay Life Insurance Co., Ltd		2,389,000	0.80
Wei Wen Investment Co., Ltd.		1,878,000	0.63
Wei Tai Investment Co., Ltd.		1,776,000	0.59
Lo-Wen Enterprises Co., Ltd.		1,500,000	0.50
Bureau of Labor Insurance – New Plan		1,067,000	0.36
Taiwan Life Insurance Co. Ltd		952,000	0.32

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

Item		Fiscal Year			
		2013 year	2014 year	Current Fiscal Year and before May 12, 2015	
Market value Per share	Highest	449	440	345.5	
	Lowest	228.5	271.5	279	
	Average	308.58	354.53	329.18	
Net Assets Per share	Before distribution	83.47	89.77	92.07	
	After distribution	64.00	-	-	
EPS(Earning Per Share)	Weighted average number of shares	300,000,000	300,000,000	300,000,000	
	EPS(Earning Per Share)	24.33	21.75	3.42	
Dividend Per share	Cash Dividend		19.47	-	-
	Stock Dividend	-	-	-	-
		-	-	-	-
	Cumulative un-paid dividend		-	-	-
Analysis on ROI(Return on Investment)	Price-Earnings(P/E) Ratio		12.68	16.30	-
	Price-Dividend Ratio		15.78	-	-
	Dividend Yield		6%	-	-

(6) Dividend Policy and Execution Status

1. Dividend Policy governed by this Company By-Laws

For the Company's net income at the end of each fiscal year, in addition to the income tax withheld by law, the loss appropriation for prior years must be processed first, then, appropriating 10% legal surplus from the balance amount and other earnings surplus and/or reserve in accordance with the component authorities. If any surplus still remains, it shall be distributed as follows:

- (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 2015 for the dividend distribution is cash dividend at NT\$30 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. The estimates of the employee bonus and directors and supervisors remuneration are NT\$32,722,800 and 0, this fiscal year.

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 NTD32,722,800, Stock bonus of NTD 0 and directors/Supervisors of NTD0. There's no deviation from the estimated 2014 annual budget.
- (2) Employees' dividends that had been determined through 2014 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 2014. The basic earnings per share of this year was calculated as NT\$ 21.75.

4. The employee's bonus and directors/supervisors' remuneration paid from last fiscal year's earnings is: Approved from the 10th meeting of 5rd Board of Director held on May 9, 2014, the earnings in fiscal year 2013 allocated as employee bonus were NTD 31,500,000, and the remuneration to the directors/supervisors was zero, a These amounts are consistent with the actual amounts distribution resolved in the Shareholders' Meeting.

(9) Status of company's 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 2013		Fiscal year 2014	
	Amount	Percentage(%)	Amount	Percentage(%)
Finished cars	28,051,149	89.09	29,690,734	89.49
Parts	3,361,299	10.68	3,435,623	10.36
Other	73,602	0.23	50,480	0.15
Total	31,486,050	100.00	33,176,837	100.00

(3) Current main products

A. NISSAN brand:

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

ALL NEW LIVINA series: 1.6L: featuring continuously variable transmission, 5-door RV

TIIDA series: 1.6/: 4-speed automatic transmission.

BIG TIIDA series: 1.6 L continuous variable speed hatchback

SUPER SENTRA series: 1.8L all-speed automatic transmission, 4-door sedan

TEANA series: 2.0/2.5L all-spee 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

X-TRAIL model: 2.0/2.5L CVT Continuously Variable Transmission 4WD SUV.

JUKE series: Imported SUV featuring continuously variable transmission (CVT)

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

B. INFINITI:

Q50: L4 2.0L turbo Manual/Automatic 7-speed, 4-door mid-sized luxury compact sport car

Q50: V6 3.5L Hybrid Manual/Automatic 7-speed, 4-door luxury compact sport car.

Q60: V6 3.7L Manual/Automatic 7-speed, 2-door luxury sport.

Q70: V6 2.5L Manual/Automatic 7-speed, 4-door luxury compact sport car.

Q70: V6 3.7L Manual/Automatic 7-speed, 4-door luxury crossover SUV

QX50: V6 3.7L Manual/Automatic 7-speed, 5-door mid-sized luxury crossover SUV.

QX60:V6 3.5L CVT Continuously Variable Transmission, 5-Door seven-passenger luxury SUV.

QX60:V6 2.5L Hybrid CVT Continuously Variable Transmission, 5-Door seven-passenger luxury SUV

QX70:V6 3.7L Manual/Automatic 7-Speed, 5-Door luxury SUV

QX50 series: V6 3.7L 5-door, 7-speed automatic transmissio sports car

(2) Industry Summary

1. Industry Environment Analysis

(1) Global Economic Environment

The American QE(Quantitative easing) and direction of interest policy continue to affect the international economic development and the recovery pace of global economy. The United States considers interest rise due to the stable recovering of economy while other major countries still expect to provide growing momentum through continuous easing monetary policies.

Under the dark cloud of deflation and Greek problems in areas circulated with EUROS, the European Central Bank has initiated QE in March 2015. Japan will continue to maintain easing monetary policy due to plaque of weak growth momentum. China has started reducing interest rate in March 2015 in order to provide an easing monetary environment. South Korea also followed and reduced interest rate in March 2015. The different paces of monetary policies form different countries have led to the high uncertainty in global financial market and economic development. All research institutes offer the 2015 global economic growth forecasts as shown in the following table:

2015 Global Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
IMF International Monetary Fund	3.5%↓ (3.8%)	January 2015
World Bank	3.0%↓ (3.4%)	January 2015
Global Insight	2.9%↓ (3.0%)	March 2015

※The numbers inside () refer to the previous forecast value

(2) China Economic Environment

The 2014 economic growth rate for Chinese economy was only 7.4% due to the slow investment growth and excess productivity as well as other pressure, hitting a new record low since 1990 (24 years). Today China faces with more complex economic environment, including impact from excess productivity, local government debts, rising financial risks, continuous decline of housing price, and inflation increase, resulting in increased pressure for economic downslide. The Premier of the People's Republic of China announced on the National People's Congress held in March 2015 that the 2015 economic growth rate will be 7%. The research institutes offer the following 2015 China economic growth forecasts as shown in the following table:

2015 China Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcement
China Government	7.0%	March 2015
IMF International Monetary Fund	6.8%↓ (7.1%)	January 2015
World Bank	7.1%↓ (7.2%)	January 2015
Global Insight	6.5% (6.5%)	March 2015
Asian Development Bank	7.2% (7.2%)	March 2015

※The numbers inside () refer to the previous forecast values

(3) Domestic Economic Environment

In favor of the gradually improving global economy, declining international oil price and improvement on domestic economic situations, major domestic and international economic institutes mostly hold prudent and optimistic view on the trends of economic development for Taiwan in 2015. The market confidence is also positive while the research institutes offer the following 2015 domestic economic growth forecasts as shown in the following table:

2015 Taiwan Economic Growth Rate Forecast		
Research Institute	Latest Forecast	Date of Announcemt
Directorate-General of Budget, Accounting and Statistics, Executive Yuan	3.78%↑ (3.50%)	February 2015
Taiwan Institute of Economic Research	3.67%↑ (3.48%)	January 2015
Chung-Hwa Institute for Economic Research	3.50%↓ (3.53%)	December 2014
Asian Development Bank	3.7%↑ (3.6%)	March 2015
IMF International Monetary Fund	3.8%↓ (3.9%)	October 2014

※The numbers inside () refer to the previous forecast values

2. Industry Overview and Development

Encouraged by the trend of changing new cars and decline in oil price in 2014, the automobile market has reached 414,298 units (about 414,000 units) in total annual sales, with a surprising 12% growth rate compared to that of 2013. During this period, Yulon Nissan continues to launch new models and change the models, leading the overall market trends and driving the annual car market to a record high in nearly 9 years. The number of domestic old cars aged over 10 years has reached 4 million units, accounting for 54.5% of all 7.34 million units in Taiwan. The rate has hit a record high and it is expected that this wave of business opportunity for consumers to change new cars will likely to continue to surge this year and become the main power in supporting the growth of car markets in Taiwan. Yulon Nissan also launches new SUV models this year to strengthen its overall competitiveness and to take the upcoming challenges.

3. 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.

4. Development trend and competition by each product line

(1) Small family car(1600cc below):

In 2014, 53,608 domestic small saloon cars under 1600cc were sold, indicating a increase rate of 12% compared to 2013, accounting for 31.2% of the domestic passenger car market.

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

In 2014. The medium sedan market sales reached 105,301 cars, accounting for 61.3% of domestic passenger vehicle market with an increase of 13% from 2013.

(3) Decline of 2.0L or above car models

The sales volume in the large-sized car market in 2014 amounts to 12,860, the sales volume fell by 23% from 2013. A 7.5% market share in the domestic vehicles market.

(4) RV

The sales volume in the RV car market is 133,680 vehicles, the sales volume with an increase of 13% from 2013.

(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 2013	Fiscal year 2014	Current Fiscal Year and before May 12,2015(Note)
R&D expenditure	617,309	586,905	253,593
Net Sales	31,486,050	33,176,837	12,425,505
Percentage of R&D expenditure over Net Sales	2.0%	1.8%	2.0%

Note : The figures are self-totaled number

2. The technology and product successfully developed

- (1) June 2006: Completed the development of new TIIDA model.
- (2) December 2006: Completed the development of SYLPHY new model.
- (3) September 2007: Completed the development of LIVINA new model.
- (4) November 2007: Completed the development of CABSTAR new model.
- (5) February 2009: Completed the development of new TEANA 08 model.
- (6) October 2011: Completed the development of new NEW MARCH model.
- (7) October 2012: Completed the development of new BIG TIIDA model.
- (8) October 2013: Completed the development of SUPER SENTRA model.
- (9) December 2012: Completed the Taiwan emission phase 5 development of TEANA / MARCH / TIIDA 4-door.
- (10) Jan. 2014 completed the development for ALL NEW LIVINA.
- (11) Oct. 2014 completed the development for modified model of SENTRA AERO.
- (12) Mar. 2015 completed the development of new-generation X-Trail model.

3.R&D Plan

(1) Products to Be Developed & Time

Product Name	Time
BIG TIIDA Minor model modification	2015~2017
SUPER SENTRA Minor model modification	2015~2017
LIVINA ALL New Model	2015~2018

(2) Expected Development Costs

2015	2016	2017
385,000	346,500	346,500

(4) Long, short term business development plan

In recent years the substantial decline in oil price, surging demand for change of new cars, and driven by car manufacturers releasing new models, the growing momentum of automobile market gradually improves. Nonetheless looking into the 2015 economic environment, the market is still subject to the impact of uncertain factors such as the U.S. withdrawal from QE mechanism, EU initiating QE policy, sharp fall and rise of currencies in other economic and

trade zone, and the fluctuations in raw material prices. Hence the company continues to take active planning and develop long and short-term strategic actions for different stages to cope with sustained corporate growth demand and to assure the sustainable management and long-term profit performance of the company.

1. Short -term business development plan

(1) Product strategy

Design the optimal combination of car models and boost market share via a complementary strategy with domestic made car and imported car models incorporated.

Meanwhile, we also plan product lines close to the market trends , 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). In order to enhance Car Advisor competitiveness, improve successful transaction rate, and provide more convenient purchasing experience, “interactive experience platform ” , “ test drive at your home ” , and ICT (Information and Communication Technology) tools such as "Nissan PAD" are introduced.

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 strengthen its distribution, NISSAN will continue to build offices meeting the “IREDI INFINITI Retail Environment Design Initiative,” expand digital assisting tool application and P.C.E (Premium Customer Experience, five-star prestigious services with continuous improvement on SSL and CSI.

(3) Customer satisfaction strategies

The series of customer value promotion activates developed over the years can gradually be used to build an example of benchmark enterprise in customer satisfaction with effective boosting of car sales.

(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 car model profit and cost management.

2. Long-term business development plan

(1) Implement changes in management system:

A. Promote next-generation HR system

The company will continue to develop strategy forming oriented learning organization and apply organizational process restructuring, V-up Japanese auto system analysis and problem-solving approach, and cost reduction to improve the efficiency of organizational operation. Meanwhile the company continues to expand the scope and application of knowledge management platform to create opportunities for employees to continuously learn and grow while building the learning environment and culture of organizations.

(A)Excellent marketing team program: Improve the capacity of marketing team.

(B)Outstanding supervisor program: Strengthen the management capacity of

management level.

- (C) Supervisor successor program: Pre-reserving successors for entry-level and middle supervisors
- (D) Key talent retention: Effectively retain the key core talents of the company through reasonable and transparent assessment system.
- (E) Dual-track system: Establish the long-term development direction for professional technical position and management position so the personnel will have explicit development course.
- (F) Key process documentation: Record and retain the knowledge of corporate core values into documents through systematic approach for management and utilization.

B. Introduce next-generation information system

The construction of corporate smart decision-making supporting system is developed towards immediacy and quick response while integrating with the existing system to effectively simplify the operation process and bring management synergies into full play. Hence, the Smart DSS structure offers excellent operation environment and complete intelligence collection platform for all personnel at different levels of the company to decide and develop supporting reference. Moreover, the company also continues to develop and improve Smart DMS to strengthen the competitiveness in distributors, upgrade the sales power in distributors, customer satisfaction and operational benefits, and thereby improve the overall operational performance of the company.

C. Continue to refine “innovative” corporate culture

The future core competitive advantage will continue to develop from “innovation” with introduction of innovative products and services to effectively utilize the core intelligence capital of the company and comprehensively build customer values.

In terms of product innovation, the company will collect and manage customer opinions with introduction or mainstream models into process management, thereby to discover the potential demand for consumers, develop and introduce products meeting customer expectation, and create maximum values for customers and shareholders.

Continue to strengthen “quick service” in terms of service innovation: Effectively improve customer satisfaction through professional and trustworthy after-sales service and quick solution of customer problems.

- (2) Actively control ECFA progress, expand the planning of business development and achieve mutually reciprocal economic benefits

The company is committed in developing high-quality and differentiated products through the continuous strengthening of R&D potential, thereby actively develop export opportunities for regional car recovery and components. Following the increasingly intense Cross-Strait economic trade, the company will re-review the cross-strait division of labor architecture through ECFA signing by proposing the optimal division of labor production model in order to expand the Chinese market with more active and flexible division of labor, which forms strategic supplement with partners, expands business scale and create higher operational performance.

- (3) Cooperate with global eco-friendly, energy-saving and carbon-reduction trends in the development of clean electric automobiles

To build the green brand image and continue focusing on the introduction of eco-friendly and clean vehicles, the company initially combines with government departments to jointly respond and promote electric pilot demonstration operation plan to verify the vehicle quality and performance with excellent effectiveness and successfully establishment of reputation. In the future, the company will more actively expand the development of electric vehicles to achieve the green traffic vision of zero emission and zero pollution, in addition to attain co-existence among people, car and nature.

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 2014, the local sales weight is 99%, and Indonesia and Egypt are the main export sales areas, the sales weight is 1%.

2. Market Share

In 2014, we sold 42,707 general cars with a market share of 15.4% and 5,033 import ones, with a market share of 3.7%. The total sales volume is 47,740 units and the market share is 11.5%. The total sales volume in 2014 is increase 8.5% than 2013.

3. Analysis and Description of 2014 Market Sales Status and Growth

2014 was a year of major breakthrough in car sales under the impact of factors such as the gradual recovering of domestic economy, boosting Index of Consumer Sentiment (ICS) and international oil price drop. The new car sales of the whole year performed far better than expectation and hit a new record high of 414,000 units in 9 years.

4. Market Sales Forecast for This Year (2014)

The year 2015 extended the hot sales of car market from the end of 2014 since the beginning. With the talk on new model release and driven by the promotional programs from all car manufacturers, the domestic car market has been considerably more active in the beginning of this year. Hence the total market sales between January and April this year was 138,465 units, contributing to a 5.8% growth compared with the same period last year. Looking the trend of changing new cars in the 2015 automobile market and driven by the continual fall in oil price and big car companies launching modified new models to the market, this year the number of car sales is likely to break the record of 414,000 units in 2014. Apart from launching the existing three mainstream car models in ALL NEW LIVINA, BIG TIIDA, SUPER SENTRA/SENTRA AERO, the Company will continue to improve innovation, and the brand image and brand preference of passionate driving, the Company also launched the new-generation perfect SUV X-TRAIL in May. X-TRAIL does not only provide comprehensive protection premium comfort equipment to satisfy SUV consumers in safety and comfort but also carried with the first 3A protective system of NISSAN to substantially boost the manipulation and safety of driving, which fully overthrows the existing impression of consumers on SUV. Moreover, ALL NEW LIVINA, BIG TIIDA, SUPER SENTRA/SENTRA AERO, and X-TRAIL are equipped with the new-generation CVT Continuously Variable Transmission with optimal saving in oil consumption and smoothness in shift conversion, accomplishing the superior performance of Grade-1 oil consumption, demonstrating NISSAN's concrete actions in energy saving and carbon reduction. In 2015, the Company will focus on mainstream models including ALL NEW LIVINA, BIG TIIDA, SUPER SENTRA/SENTRA AERO, and X-TRAIL, incorporated with annual marketing campaigns, to take challenge of taking annual market share by 12.5% and ultimately targeting at the mid to long-term goal in 15%.

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.

 - A. In respect to NISSAN service, For our "service quality", we will continue to provide our consumers with "genial", "speedy", "professional", and "reliable" service with our thoughtful service ideal.
 - B. In terms of service, INFINITI will continue to build offices meeting the specification of IREDI (INFINITI Retail Environment Design Initiative)" in addition to offering P.C.E (Premium Customer Experience), 5-start prestigious services for car owners to experience premium service quality. Meanwhile INFINITI will introduce digital assisting tools to provide more superior service experience, creating higher added-value and customer satisfaction for consumers.
 - (2) Disadvantageous Factors
 - A. The expansion of introducing entry-level models of luxury brands while the EU initiating easy monetary policy will substantially increase the competitiveness for the price of European import cars.
 - B. In cooperation with government eco-friendly policy, the increase of convenience and availability of mass traffic transport network will affect consumers' use of car and intention to purchase cars.
 - C. The pressure for New Taiwan Dollars deflation continues to increase following the withdrawal of U.S. QE policy, which affects the import cost of raw materials.

(3) Countermeasures

Nissan Motor Co., Ltd. will continue to uphold to “innovation” and introduce superior products and services in order to strengthen its competitiveness. The company will devote in creating higher values for consumers and thoroughly implement customer-oriented management philosophy to fully achieve the corporate vision in “becoming the benchmark enterprise of cross-strait automobile industry in “product innovation” and “service innovation.””

(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 2013				Fiscal year 2014				First season in 2015			
	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.	24,923,064	99	Relative Party	Yulon Motor Co., Ltd.	27,438,045	99	Relative Party	Yulon Motor Co., Ltd.	7,374,371	95	Related Party
2	Others	140,473	1		Others	404,834	1		Others	414,847	5	
	Net Purchase amount	25,063,537	100		Net Purchase amount	27,842,879	100		Net Purchase amount	7,789,218	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 2013			Fiscal year 2014			First season in 2015		
		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	27,903,555	89	Relative Party	29,532,957	89	Relative Party	8,040,721	89	Related Party
2	Others	3,582,495	11		3,643,880	11		988,332	11	
	Net Purchase amount	31,486,050	100		33,176,837	100		9,029,053	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		Fiscal year 2013				Fiscal year 2014			
	Main Produces (or by Department)	Local Sales		Export Sales		Local Sales		Export Sales		
		Volume	Value	Volume	Value	Volume	Value	Volume	Value	
Vehicle	44,627	28,051,149	-	-	46,190	29,690,734	-	-		
Parts	-	2,991,312	-	369,987	-	3,067,762	-	367,861		
Other	-	73,602	-	-	-	50,480	-	-		
Total	-	31,116,063	-	369,987	-	32,808,976	-	367,861		

3. Employee Data for the Recent Two Years and as of the Publication Date of Annual Report

Fiscal Year		Fiscal year 2013	Fiscal year 2014	Current Fiscal Year and before May 12,2015
No. of Employee	Marketing	202	200	195
	Management	78	80	80
	Reserch & Development	140	148	147
	Total	420	428	422
Average age		39.5	40.13	40.4
Average seniority		11.62	12.11	12.33
Academy Ratio	Doctor	0	0	0
	Master	216	219	215
	College	174	179	177
	Senior High School	28	28	28
	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 Relationship

(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.
- (3) The employee retirement regulations developed in accordance with "Labor Pension Act" belongs to the regulation governing pension appropriation. The Company has appropriated 6% from the monthly salary of employees to the individual pension fund accounts at the Bureau of Labor Insurance since July 1st, 2005. The 2014 and 2013, the Company has recognized the amount of appropriation according to the ration stipulated in the appropriation program to the Statement of Comprehensive Income in the amount of NT12,935 thousand and NT12,548 thousand, respectively.
- (4) The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

(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.	2015.5.1~2010.4.30 Note(2)	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(3)	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.	2014.3.1~2019.2.28	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.	2015.3.1~2019.2.28	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 companies	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): If no action is taken to renew or non renew the contract at least 3 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 Sheet and Comprehensive Income Statement Individual Condensed Balance Sheets-IFRS

Unit : In NTD Thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2015 of that fiscal year
			2012	2013	2014	
Current Assets			1,442,669	4,939,631	10,174,765	11,085,022
Property, plant and equipment			1,677,365	1,748,604	1,758,753	1,995,811
Intangible assets			11,369	7,887	12,346	11,666
Other assets			24,198,766	28,622,496	24,538,542	25,063,411
Total Assets			27,330,169	35,318,618	36,484,406	38,155,910
Current Liabilities	Before distribution		3,149,879	5,172,176	6,369,203	7,200,705
	After distribution		7,139,879	11,013,176	(NOTE2)	-
Non-current liabilities			3,564,997	5,105,965	3,184,691	3,335,281
Total Liabilities	Before distribution		6,714,876	10,278,141	9,553,894	10,535,986
	After distribution		10,704,876	16,119,141	(NOTE2)	-
Equity attributable to owners of the company			20,615,293	25,040,479	26,930,512	27,619,924
Share Capital			3,000,000	3,000,000	3,000,000	3,000,000
Capital Reserves			6,129,405	6,129,405	6,129,405	6,129,405
Retained Earnings	Before distribution		12,389,954	15,700,634	16,384,208	17,409,374
	After distribution		8,399,954	9,859,634	(NOTE2)	-
Other equity			(904,066)	210,438	1,416,899	1,081,145
Treasury stock			-	-	-	-
Noncontrolling interest (NCI)			-	-	-	-
Total equity	Before distribution		20,615,293	25,040,477	26,930,512	38,155,910
	After distribution		16,625,293	19,199,477	(NOTE2)	-

Note 1: Quarterly Statement of the First Quarter of 2015 has not been reviewed by CPAs.

Note 2: Earnings distribution proposal will be confirmed by 2015 general meeting of shareholders.

Consolidated Condensed Balance Sheets-IFRS

Unit : In NTD Thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data as of March 31, 2015 of that fiscal year(NOTE1)
			2012	2013	2014	
Current Assets			14,954,714	18,135,802	16,262,960	17,123,053
Property, plant and equipment			1,677,365	1,748,604	1,758,753	1,995,811
Intangible assets			11,369	7,887	12,346	11,666
Other assets			10,686,931	15,426,672	18,472,488	19,046,605
Total Assets			27,330,379	35,318,965	36,506,547	38,177,135
Current Liabilities	Before distribution		3,150,089	5,172,523	6,369,203	7,200,820
	After distribution		7,140,089	11,013,523	(NOTE2)	-
Non-current liabilities			3,564,997	5,105,965	3,206,832	3,356,391
Total Liabilities	Before distribution		6,715,086	10,278,488	9,576,035	10,557,211
	After distribution		10,705,086	16,119,488	(NOTE2)	-
Equity attributable to owners of the company			20,615,293	25,040,477	26,930,512	27,619,924
Share Capital			3,000,000	3,000,000	3,000,000	3,000,000
Capital Reserves			6,129,405	6,129,405	6,129,405	6,129,405
Retained Earnings	Before distribution		12,389,954	15,700,634	16,384,208	17,409,374
	After distribution		8,399,954	9,859,634	(NOTE2)	-
Other equity			(904,066)	210,438	1,416,899	1,081,145
Treasury stock			-	-	-	-
Noncontrolling interest (NCI)			-	-	-	-
Total equity	Before distribution		20,615,293	25,040,477	26,930,512	27,619,924
	After distribution		16,625,293	19,199,477	(NOTE2)	-

Note 1: Financial data of Q1 are reviewed by the CPA with the adoption of IFRS.

Note 2: Earnings distribution proposal will be confirmed by 2015 general meeting of shareholders.

Individual Condensed Income Statement-IFRS

Unit : NTD Thousand

Fiscal Year Item	Financial Data in recent 5 years					The financial data (Note) as of March 31 2015of that fiscal year
			2012	2013	2014	
Operating Revenue			29,134,530	31,486,050	33,170,141	9,042,254
Gross Profit			3,670,937	5,448,850	4,314,965	1,174,669
Operating profit or loss			542,072	1,856,646	801,184	335,,346
Non-operating Income and Expenses			5,559,055	6,950,244	7,225,493	903,157
Profit before tax			6,101,127	8,806,890	8,026,677	1,238,503
Net income (loss)			4,939,070	7,299,997	6,523,759	1,025,315
Other comprehensive profit and loss (net)			(912,581)	1,115,187	1,207,276	(335,903)
Total current comprehensive profit and loss			4,026,489	8,415,184	7,731,035	689,412
Net income attributable to parent company's shareholders			4,939,270	7,299,997	6,523,759	1,023,315
Net income attributable to unrestrictive equity			-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders			4,026,489	8,415,184	7,731,035	689,412
Total comprehensive profit and loss attributable to unrestrictive equity			-	-	-	-
EPS (Earning Per Share)			16.46	24.33	21.75	3.42

Note : Quarterly Statement of the First Quarter of 2015 has not been reviewed by CPAs.

Consolidated Condensed Income Statement-IFRSs

Unit : NTD Thousand

Item	Fiscal Year	Financial Data in recent 5 years				The financial data (Note) as of March 31 2015of that fiscal year	
				2012	2013		2014
Operating Revenue				29,134,530	31,486,050	33,176,837	9,042,254
Gross Profit				3,670,937	5,448,850	4,321,661	1,174,669
Operating profit or loss				512,388	1,832,179	786,229	329,541
Non-operating Income and Expenses				5,588,746	6,974,711	7,240,448	908,962
Profit before tax				6,101,134	8,806,890	8,026,677	1,238,503
Net income (loss)				4,939,070	7,299,997	6,523,759	1,025,315
Other comprehensive profit and loss (net)				(912,581)	1,115,187	1,207,276	(335,903)
Total current comprehensive profit and loss				4,026,489	8,415,184	7,731,035	689,412
Net income attributable to parent company's shareholders				4,939,070	7,299,997	6,523,759	1,025,315
Net income attributable to unrestrictive equity				-	-	-	-
Total comprehensive profit and loss attributable to parent company's shareholders				4,026,489	8,415,184	7,731,035	689,412
Total comprehensive profit and loss attributable to unrestrictive equity				-	-	-	-
EPS (Earning Per Share)				16.46	24.33	21.75	3.42

Note : Quarterly Statement of the First Quarter of 2015 has been reviewed by CPAs.

(2) Condensed Balance Sheet and Income Statement – the R.O.C. Financial Accounting Standards
Individual Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Unit : In NTD Thousand

Item		Fiscal Year	Financial Data in recent 5 years		
				2010	2011
Current Assets			3,855,526	4,089,045	1,476,958
Fund and Investment			15,402,999	19,069,822	23,891,801
Fixed assets			40,840	37,166	45,236
Intangible assets			-	-	-
Other assets			1,443,347	1,459,623	1,729,328
Total Assets			20,742,712	24,655,656	27,143,323
Current Liabilities	Before distribution		1,790,241	2,698,572	3,147,752
	After distribution		3,470,241	5,758,572	7,137,750
Long term liabilities			-	-	-
Other liabilities			1,787,127	2,393,600	3,325,239
Total Liabilities	Before distribution		3,577,368	5,092,172	6,472,991
	After distribution		5,257,368	8,152,172	10,462,991
Share Capital			3,000,000	3,000,000	3,000,000
Capital Reserves			5,988,968	5,988,968	6,129,405
Retained Earnings	Before distribution		7,958,797	10,110,362	11,980,839
	After distribution		6,278,797	7,050,362	7,990,839
Unrealized gains/losses On financial products			-	-	-
Cumulative Translation Adjustment			217,579	464,154	(439,912)
Net loss not recognized as pension cost			-	-	-
Total shareholder equity	Before distribution		17,165,344	19,563,484	20,670,332
	After distribution		15,485,344	16,503,484	16,680,332

Consolidated Condensed Balance Sheet – the R.O.C. Financial Accounting Standards

Unit : In NTD Thousand

Item		Fiscal Year	Financial Data in recent 5 years		
				2010	2011
Current Assets			4,382,762	13,848,011	14,989,003
Fund and Investment			14,876,477	9,310,797	10,379,966
Fixed assets			40,840	37,166	45,236
Intangible assets			-	-	-
Other assets			1,443,401	1,459,680	1,729,328
Total Assets			20,743,480	24,655,654	27,143,533
Current Liabilities	Before distribution		1,791,009	2,698,570	3,147,962
	After distribution		3,471,009	5,758,570	7,137,962
Long term liabilities			-	-	-
Other liabilities			1,787,127	2,393,600	3,325,239
Total Liabilities	Before distribution		3,578,136	5,092,170	6,473,201
	After distribution		5,258,136	8,152,170	10,463,201
Share Capital			3,000,000	3,000,000	3,000,000
Capital Reserves			5,988,968	5,988,968	6,129,405
Retained Earnings	Before distribution		7,958,797	10,110,362	11,980,839
	After distribution		6,278,797	7,050,362	7,990,839
Unrealized gains/losses On financial products			-	-	-
Cumulative Translation Adjustment			217,579	464,154	(439,912)
Net loss not recognized as pension cost			-	-	-
Total shareholder equity	Before distribution		17,165,344	19,563,484	20,670,332
	After distribution		15,485,344	16,503,484	16,680,332

Individual Condensed income statement – the R.O.C. Financial Accounting Standards

Unit : NTD Thousand

Fiscal Year Item	Financial Data in recent 5 years				
			2010	2011	2012
Operating Revenue			27,455,696	32,115,351	29,134,530
Gross Profit			3,784,639	4,735,148	4,028,900
Operating Income			505,309	1,049,039	889,502
Non-Operating Revenue and Gain			2,935,557	3,644,374	5,608,459
Non-Operating Expenses and losses			96,662	95,506	407,187
Gain (loss) before tax from continuing operation			3,344,204	4,597,907	6,090,774
Gain (loss) from continuing operation			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)			2,883,898	3,831,565	4,930,477
EPS (Earning Per Share)			9.61	12.77	16.43

Consolidated Condensed income statement – the R.O.C. Financial Accounting Standards

Unit : NTD Thousand

Fiscal Year Item	Financial Data in recent 5 years				
			2010	2011	2012
Operating Revenue			27,455,696	32,115,351	29,134,530
Gross Profit			3,784,639	4,735,148	4,028,900
Operating Income			504,554	1,048,713	859,818
Non-Operating Revenue and Gain			2,923,153	3,606,612	5,633,431
Non-Operating Expenses and losses			83,460	57,418	402,468
Gain (loss) before tax from continuing operation			3,344,247	4,597,907	6,090,781
Gain (loss) from continuing operation			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)			2,883,898	3,831,565	4,930,477
EPS (Earning Per Share)			9.61	12.77	16.43

(3) CPAs' Name and Auditor opinions

Fiscal Year	2010	2011	2012	2013	2014
CPA (Certified public accountant)	En-Min Wu Chien-Hsin Hsieh	En-Min Wu Chien-Hsin Hsieh	Chien-Hsin Hsieh En-Min Wu	Chien-Hsin Hsieh En-in Wu	Chien-Hsin Hsieh Wan-Yi Liao
Auditors' opinions	Modified unqualified comment	No retained comment	No retained comment	No retained comment	No retained comment

2. Financial analysis in recent 5 years

(1) Financial Ratio Analysis complying with IFRS - individual

Analysis items		Fiscal Year		Financial analysis in recent 5 years			The financial data(Note 1) as of March 31 2015 of that fiscal year
		years	years	2012 years	2013 years	2014 years	
Finance Structure%	Debt to assets ratio			25	29	26	27
	Long term funds to Property, plant and equipment ratio			1,442	1,724	1,712	1,551
Liquidity %	Current Ratio			46	96	160	154
	Quick Ratio			46	95	160	150
	Interest coverage ratio			3,139	519	189	137
Operating Performance	Receivables turnover (times)			49	66	105	91
	Average number days receivables outstanding			7	5	3	4
	Inventory turnover (times)			15,248	14,489	12,058	344
	Payable turnover (times)			13	16	31	29
	Average inventory turnover days			-	-	-	1
	Property, plant and equipment turnover (times)			19	18	19	19
	Total asset turnover (times)			1	1	1	1
Profitability	Return on assets (%)			19	23	18	11
	Return on equity (%)			25	32	25	15
	Pre-tax Income to Paid-in Capital Ratio (%)			203	294	268	165
	Profit margin (%)			17	23	20	11
	Earning Per Share (NT dollar)			16.46	24.33	21.75	3.42
Cash Flow	Cash flow from operations ratio (%)			120	27	3	(Note 2)
	Cash flow adequacy ratio (%)			91	64	46	39
	Cash Flow Re-investment Ratio (%)			3	(Note 4)	(Note 3)	(Note 2)
Leverage	Operating leverage			2	1	2	1
	Financial leverage			1	1	1	1

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

- 1.The increase in current ratio and quick ratio was the result of the subsidiary company receiving more cash dividends.
- 2.The reduction of interest coverage ratio was the result of longer borrowing period and increased interest expense.
- 3.The increase in receivables turnover ratio was the result of increased sales.
- 4.The increase in payable turnover ratio was the result of change in certain payment conditions that led to reduction in accounts payable.
- 5.The reduction in return on assets, return on equity, profit before tax to capital stock, and cash flow was a results of reduced gross profits.
- 6.The reduction in cash flow adequacy ratio was a result of more distribution of dividends.

Note1 : Quarterly Statement of the First Quarter of 2015 has not been reviewed by CPAs.

Note2 : The first quarter of 2015 was a net cash outflow from operating activities, therefore it is not counted.

Note3 : 2014 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note4 : 2013 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note5: 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).

Financial Ratio Analysis complying with IFRS - Consolidated

Analysis items		Fiscal Year	Financial analysis in recent 5 years					The financial data(Note 1) as of March 31 2014 of that fiscal year
		years	years	2012 years	2013 years	2014 years		
Finance Structure%	Debt to assets ratio			24	29	26	28	
	Long term funds to Property, plant and equipment ratio			1,441	1,724	1,714	1,552	
Liquidity %	Current Ratio			474	350	255	238	
	Quick Ratio			452	334	247	227	
	Interest coverage ratio			3,139	519	189	137	
Operating Performance	Receivables turnover (times)			50	66	106	73	
	Average number days receivables outstanding			7	5	3	5	
	Inventory turnover (times)			15,247	14,489	12,058	344	
	Payable turnover (times)			14	16	31	24	
	Average inventory turnover days			-	-	-	1	
	Property, plant and equipment turnover (times)			19	18	19	19	
	Total asset turnover (times)			1	1	1	1	
Profitability	Return on assets (%)			19	23	18	11	
	Return on equity (%)			25	32	25	15	
	Pre-tax Income to Paid-in Capital Ratio (%)			203	294	268	165	
	Profit margin (%)			17	23	20	11	
	Earning Per Share (NT dollar)			16.46	24.33	21.75	3.42	
Cash Flow	Cash flow from operations ratio (%)			120	27	(Note 3)	(Note 2)	
	Cash flow adequacy ratio (%)			163	108	69	44	
	Cash Flow Re-investment Ratio (%)			3	(Note5)	(Note 4)	(Note 2)	
Leverage	Operating leverage			1	1	2	3	
	Financial leverage			1	1	1	1	
Explanation of the changes in each financial ratio in recent two years: <ol style="list-style-type: none"> 1.The reduction in current ratio and quick ratio was the result of increased short-term borrowing. ° 2.The reduction of interest coverage ratio was the result of longer borrowing period and increased interest expense. 3.The increase in receivables turnover ratio was the result of increased sales. 4.The increase in payable turnover ratio was the result of change in certain payment conditions that led to reduction in accounts payable. 5.The reduction in return on assets, return on equity, profit before tax to capital stock, and cash flow was a results of reduced gross profits. 6. The reduction in Cash flow adequacy ratio was a result of more distribution of dividends. 								

Note1 : Quarterly Statement of the First Quarter of 2015 has been reviewed by CPAs.

Note2 : 2015 Q1 operating cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note3 : The 2014 operational activities were net cash outflow and therefore not included in the calculation.

Note4 : 2014 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note5 : 2013 cash flow from operating activities subtracting cash dividends becomes negative value and is hence not calculated.

Note6: 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- Individual

Analysis items		Fiscal Year	Financial analysis in recent 5 years			
				2010	2011	2012
Finance Structure%	Debt to assets ratio		17	21	24	
	Long term funds to fixed assets ratio		42,031	52,638	45,694	
Liquidity %	Current Ratio		215	152	47	
	Quick Ratio		215	149	45	
	Interest coverage ratio		2,651	3,871	3,134	
Operating Performance	Receivables turnover (times)		71	71	49	
	Average number days receivables outstanding		5	5	7	
	Inventory turnover (times)		24,786	19,494	15,033	
	Payable turnover (times)		24	27	13	
	Average inventory turnover days		-	-	-	
	Fixed asset turnover (times)		672	864	644	
	Total asset turnover (times)		1	1	1	
Profitability	Return on assets (%)		15	17	19	
	Return on equity (%)		18	21	25	
	Percentage to paid-in capital%	Operation income		17	35	30
		Income before Tax		111	153	203
	Profit margin (%)		11	12	17	
	Earning Per Share (NT dollar)		9.61	12.77	16.43	
Cash Flow	Cash flow from operations ratio (%)		13	83	120	
	Cash flow adequacy ratio (%)		54	105	127	
	Cash Flow Re-investment Ratio (%)		1	3	3	
Leverage	Operating leverage		6	1	2	
	Financial leverage		1	1	1	

Explanation of the changes in each financial ratio in 2011 and 2012:

1. The decreasing of current ratio and quick ratio is mainly caused by redemption fund in 2012
2. 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.
3. 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.
4. 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.

Note: 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).

Financial analysis -ROC GAPP- Consolidated

Analysis items		Fiscal Year	Financial analysis in recent 5 years			
				2010	2011	2012
Finance Structure%	Debt to assets ratio		17	21	24	
	Long term funds to fixed assets ratio		42,031	52,638	45,694	
Liquidity %	Current Ratio		245	513	476	
	Quick Ratio		239	497	452	
	Interest coverage ratio		2,651	3,871	3,134	
Operating Performance	Receivables turnover (times)		71	72	51	
	Average number days receivables outstanding		5	5	7	
	Inventory turnover (times)		24,786	19,495	15,033	
	Payable turnover (times)		37	26	16	
	Average inventory turnover days		-	-	-	
	Fixed asset turnover (times)		672	864	644	
	Total asset turnover (times)		1	1	1	
Profitability	Return on assets (%)		15	17	19	
	Return on equity (%)		18	21	25	
	Percentage to paid-in capital%	Operation income		17	35	29
		Income before Tax		111	153	203
	Profit margin (%)		11	12	17	
	Earning Per Share (NT dollar)		9.61	12.77	16.43	
Cash Flow	Cash flow from operations ratio (%)		43	259	270	
	Cash flow adequacy ratio (%)		28	131	203	
	Cash Flow Re-investment Ratio (%)		4	24	23	
Leverage	Operating leverage		2	1	2	
	Financial leverage		1	1	1	
Explanation of the changes in each financial ratio in 2011 and 2012: 1. 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. 2. 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. 3. 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.						

Note : 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 2014 together with auditors' report prepared and certified by 2 authorized CPAs: Mr. Chien-Hsin Hsieh and Ms. Wan-Yi Liao 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

2015 Shareholders' Meeting

Supervisors:

Wei Wen Investment Co., Ltd.

Representative: Kwan-Tao Li

Representative: Tai-Ming Chen

Supervisors:

Yosuke Sato

May 12, 2015

4. Recent Annual Financial Statements

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, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.



March 23, 2015

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, 2014 AND 2013

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 9,493,958	26	\$3,141,904	9
Financial assets at fair value through profit or loss (Notes 4 and 7)	331,032	1	434,741	1
Notes receivable (Notes 4 and 8)	2,000	-	27	-
Notes receivable - related parties (Notes 4 and 28)	905	-	2,312	-
Trade receivables (Notes 4 and 8)	70,137	-	41,502	-
Trade receivables - related parties (Notes 4 and 28)	224,495	1	292,229	1
Other receivables (Notes 4 and 8)	39,606	-	22,658	-
Inventories (Notes 4 and 9)	2,739	-	2,047	-
Prepayments	9,893	-	11,057	-
Other financial assets (Note 10)	<u>-</u>	<u>-</u>	<u>991,154</u>	<u>3</u>
Total current assets	<u>10,174,765</u>	<u>28</u>	<u>4,939,631</u>	<u>14</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 11)	23,800,390	65	28,185,091	80
Property, plant and equipment (Notes 4, 12 and 28)	1,758,753	5	1,748,604	5
Computer software (Notes 4, 13 and 28)	12,346	-	7,887	-
Deferred tax assets (Notes 4 and 22)	164,709	-	188,363	-
Other non-current assets (Notes 14 and 28)	<u>573,443</u>	<u>2</u>	<u>249,042</u>	<u>1</u>
Total non-current assets	<u>26,309,641</u>	<u>72</u>	<u>30,378,987</u>	<u>86</u>
TOTAL	<u>\$36,484,406</u>	<u>100</u>	<u>\$35,318,618</u>	<u>100</u>

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

LIABILITIES AND EQUITY	2014		2013	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$3,630,000	10	\$2,630,000	8
Notes payable - related parties (Note 28)	-	-	1,536	-
Trade payables	122,244	-	127,494	-
Trade payables - related parties (Note 28)	565,471	2	1,073,092	3
Other payables (Note 16)	882,601	2	657,680	2
Current tax liabilities (Notes 4 and 22)	977,135	3	490,530	1
Provisions (Notes 4 and 18)	172,054	-	169,129	1
Deferred revenue (Note 17)	-	-	1,643	-
Other current liabilities	19,698	-	21,072	-
Total current liabilities	<u>6,369,203</u>	<u>17</u>	<u>5,172,176</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	-	-	1,000,000	3
Provisions (Notes 4 and 18)	86,282	-	74,808	-
Accrued pension liabilities (Notes 4 and 19)	546,327	2	555,089	1
Deferred tax liabilities (Notes 4 and 22)	<u>2,552,082</u>	<u>7</u>	<u>3,476,068</u>	<u>10</u>
Total non-current liabilities	<u>3,184,691</u>	<u>9</u>	<u>5,105,965</u>	<u>14</u>
Total liabilities	<u>9,553,894</u>	<u>26</u>	<u>10,278,141</u>	<u>29</u>
EQUITY				
Capital stock - \$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>8</u>	<u>3,000,000</u>	<u>9</u>
Capital surplus	<u>6,129,405</u>	<u>17</u>	<u>6,129,405</u>	<u>17</u>
Retained earnings				
Legal reserve	2,987,887	8	2,257,887	6
Special reserve	788,877	2	1,228,789	3
Unappropriated earnings	<u>12,607,444</u>	<u>35</u>	<u>12,213,958</u>	<u>35</u>
Total retained earnings	<u>16,384,208</u>	<u>45</u>	<u>15,700,634</u>	<u>44</u>
Other equity	<u>1,416,899</u>	<u>4</u>	<u>210,438</u>	<u>1</u>
Total equity	<u>26,930,512</u>	<u>74</u>	<u>25,040,477</u>	<u>71</u>
TOTAL	<u>\$36,484,406</u>	<u>100</u>	<u>\$35,318,618</u>	<u>100</u>

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

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales (Note 4)	\$ 33,126,357	100	\$ 31,412,448	100
Service revenue (Note 4)	1,382	-	16,872	-
Other operating revenue	<u>42,402</u>	<u>-</u>	<u>56,730</u>	<u>-</u>
Total operating revenue	33,170,141	100	31,486,050	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 21 and 28)	<u>28,855,176</u>	<u>87</u>	<u>26,037,200</u>	<u>83</u>
GROSS PROFIT	<u>4,314,965</u>	<u>13</u>	<u>5,448,850</u>	<u>17</u>
OPERATING EXPENSES (Notes 19, 21 and 28)				
Selling and marketing expenses	2,564,472	8	2,611,485	8
General and administrative expenses	363,535	1	363,395	1
Research and development expenses	<u>586,905</u>	<u>2</u>	<u>617,309</u>	<u>2</u>
Total operating expenses	<u>3,514,912</u>	<u>11</u>	<u>3,592,189</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 21 and 28)	<u>1,131</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>801,184</u>	<u>2</u>	<u>1,856,646</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of subsidiary	6,677,910	20	6,902,444	22
Foreign currency exchange gain, net (Note 21)	410,960	1	51,675	-
Interest income (Note 4)	175,495	1	33,106	-
Gain from valuation of financial assets, net	14,032	-	1,741	-
Gain on disposal of investment, net (Note 21)	5,964	-	3,745	-
Other revenue (Note 28)	5,078	-	2,482	-
Interest expenses (Note 28)	(42,689)	-	(16,994)	-
Overseas business expenses (Note 28)	(18,712)	-	(26,132)	-
Other losses (Note 28)	<u>(2,545)</u>	<u>-</u>	<u>(1,823)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,225,493</u>	<u>22</u>	<u>6,950,244</u>	<u>22</u>
PROFIT BEFORE TAX	8,026,677	24	8,806,890	28
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,502,918</u>	<u>4</u>	<u>1,506,893</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>6,523,759</u>	<u>20</u>	<u>7,299,997</u>	<u>23</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	\$ 1,206,461	3	\$ 1,114,504	4
Actuarial gain arising from defined benefit plans (Note 19)	982	-	823	-
Income tax relating to components of other comprehensive income (Notes 4 and 22)	<u>(167)</u>	-	<u>(140)</u>	-
Other comprehensive income for the year, net of income tax	<u>1,207,276</u>	<u>3</u>	<u>1,115,187</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,731,035</u>	<u>23</u>	<u>\$ 8,415,184</u>	<u>27</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$21.75</u>		<u>\$24.33</u>	
Diluted	<u>\$21.74</u>		<u>\$24.32</u>	

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock (Note 20)	Capital Surplus (Note 20)
BALANCE, JANUARY 1, 2013	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>
Appropriation of 2012 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$13.3 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2013	-	-
Other comprehensive income for the year ended December 31, 2013, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2013	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2013	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2013 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$19.47 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2014	-	-
Other comprehensive income for the year ended December 31, 2014, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2014	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

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

Retained Earnings (Note 20)			Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
\$ 1,764,839	\$ 788,877	\$ 9,836,238	\$ (904,066)	\$ 20,615,293
493,048	-	(493,048)	-	-
-	439,912	(439,912)	-	-
-	-	(3,990,000)	-	(3,990,000)
<u>493,048</u>	<u>439,912</u>	<u>(4,922,960)</u>	<u>-</u>	<u>(3,990,000)</u>
-	-	7,299,997	-	7,299,997
-	-	683	1,114,504	1,115,187
-	-	7,300,680	1,114,504	8,415,184
<u>2,257,887</u>	<u>1,228,789</u>	<u>12,213,958</u>	<u>210,438</u>	<u>25,040,477</u>
730,000	-	(730,000)	-	-
-	(439,912)	439,912	-	-
-	-	(5,841,000)	-	(5,841,000)
<u>730,000</u>	<u>(439,912)</u>	<u>(6,131,088)</u>	<u>-</u>	<u>(5,841,000)</u>
-	-	6,523,759	-	6,523,759
-	-	815	1,206,461	1,207,276
-	-	6,524,574	1,206,461	7,731,035
<u>\$ 2,987,887</u>	<u>\$ 788,877</u>	<u>\$ 12,607,444</u>	<u>\$ 1,416,899</u>	<u>\$ 26,930,512</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, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,026,677	\$ 8,806,890
Adjustments for:		
Depreciation expenses	446,629	462,132
Amortization expenses	5,454	6,713
Gain on fair value changes of financial assets designated as at fair value through profit or loss	(14,032)	(1,741)
Interest expense	42,689	16,994
Interest income	(175,495)	(33,106)
Share of profit of subsidiary	(6,677,910)	(6,902,444)
Loss (gain) on disposal of property, plant and equipment	(1,131)	15
Net gain on disposal of investment	(5,964)	(3,745)
Net gain on foreign currency exchange	(350,658)	(45,263)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	123,705	(429,255)
Notes receivable	(1,973)	(27)
Notes receivable - related parties	1,407	(698)
Trade receivables	(28,635)	(5,192)
Trade receivables - related parties	67,734	291,332
Other receivables	2,764	14,003
Inventories	(692)	(500)
Prepayments	1,164	(4,181)
Notes payable - related parties	(1,536)	1,536
Trade payables	(5,250)	(9,825)
Trade payables - related parties	(461,174)	(268,139)
Other payables	225,026	107,388
Other current liabilities	(1,374)	(4,930)
Deferred revenue	(1,643)	(11,225)
Provisions	14,399	13,671
Accrued pension liabilities	(7,780)	(1,253)
Cash generated from operations	1,222,401	1,999,150
Interest paid	(42,794)	(15,553)
Income tax paid	(985,114)	(227,419)
Net cash generated from operating activities	194,493	1,756,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	11,399,888	3,351,292
Interest received	155,783	27,579
Payment for property, plant and equipment (Note 24)	(486,380)	(1,084,114)
Proceeds from disposal of property, plant, and equipment	4,638	26
Payments for computer software	(9,913)	(3,231)
Decrease (increase) in other financial assets	991,154	(977,222)
Increase in other non-current assets	(344,753)	(181,563)
Net cash generated from investing activities	11,710,417	1,132,767

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,000,000	\$ 2,430,000
Proceeds from long-term borrowings	-	1,000,000
Repayment of long-term borrowings	(1,000,000)	-
Payments of dividends	<u>(5,841,000)</u>	<u>(3,990,000)</u>
Net cash used in financing activities	<u>(5,841,000)</u>	<u>(560,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>288,144</u>	<u>31,331</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,352,054	2,360,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,141,904</u>	<u>781,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,493,958</u>	<u>\$ 3,141,904</u>

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

1. GENERAL INFORMATION

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 October 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.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the board of directors on March 23, 2015.

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

The Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 Version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the FSC Not Yet Effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

The initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies.

New IFRSs in Issue but Not Yet Endorsed by FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company’s accounting policies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in subsidiary is accounted for by the equity method. Subsidiary is the entities controlled by the Company.

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

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

Property, Plant and Equipment

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

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Computer Software

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

Impairment of Assets

When the carrying amount of property, plant and equipment and computer software exceeds its recoverable amount, the excess is recognized as an impairment loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

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

1) Measurement category

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Method to determine the fair value please refer to Note 27.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provision

a. Inventory purchase commitment

Where the Company has a commitment under which the unavoidable costs of meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment, the present obligations arising under such commitment (e.g. inventory purchase commitment) are recognized and measured as provisions.

b. Warranties

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

b. Rendering of services

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

c. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The accrued pension liabilities recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

Taxation

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

a. Current tax

Current taxable payable depends on current tax income. Taxable income is different from the net income before tax on the statement of comprehensive income for the reason that partial revenue and expenses are taxable or deductible items in other period, or not the taxable or deductible items according to related Income Tax Law. The Company's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

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 as the status of appropriations of earnings is uncertain.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2014 and 2013, the carrying amount of trade receivables was \$337,143 thousand and \$358,728 thousand, respectively.

b. Property, plant and equipment - molds and dies

The Company depreciates molds and dies using unit-of-output method. The Company examines the estimated production units of each model according to the market every 6 months and calculates the amount allocated for each mold and die, which is also the basis of depreciation of molds and dies.

c. Provisions for the expected cost of warranty

The Company calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of December 31, 2014 and 2013, the carrying amount of provisions for warranty was \$146,358 thousand and \$134,125 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Company assesses provisions for loss on inventory purchase commitment of parts and vehicles to Yulon regularly. As of December 31, 2014 and 2013, the carrying amount of provisions for loss on inventory purchase commitment was \$111,978 thousand and \$109,812 thousand, respectively.

e. Recognition and measurement of defined benefit plans

The Company uses judgments and estimations in determining the actuarial assumptions for calculation of the present value of defined benefit obligation at the end of each reporting period. Actuarial assumptions comprise the discount rate and the expected return rate on plan assets. Changes in the assumptions may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2014	2013
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	1,184,495	754,979
Foreign currency demand deposits	310,534	46,992
Cash equivalents		
Foreign currency time deposits	7,992,009	2,333,013
Time deposits	<u>6,900</u>	<u>6,900</u>
	<u>\$ 9,493,958</u>	<u>\$ 3,141,904</u>

Cash equivalent includes time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The market interest rates intervals of cash in bank and time deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	2014	2013
Demand deposits and time deposits	0.01%-3.40%	0.01%-3.25%

7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2014	2013
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 331,032</u>	<u>\$ 434,741</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2014	2013
Notes receivable	<u>\$ 2,000</u>	<u>\$ 27</u>
Trade receivables	<u>\$ 70,137</u>	<u>\$ 41,502</u>
Other receivables		
Interest receivables	\$ 25,242	\$ 5,530
Disposal of investment receivables	-	5,297
Others	<u>14,364</u>	<u>11,831</u>
	<u>\$ 39,606</u>	<u>\$ 22,658</u>

a. Notes receivable

For the notes receivable, there were no past due balances at the end of the reporting period and the Company did not recognize an allowance for impairment loss.

b. Trade receivables

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was not a

significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables that were past due but not impaired was as follows:

	<u>December 31</u>	
	2014	2013
Less than 180 days	<u>\$ 22,720</u>	<u>\$ 13,833</u>

9. INVENTORIES

	<u>December 31</u>	
	2014	2013
Parts	\$ 1,664	\$ 2,047
Vehicles	<u>1,075</u>	<u>-</u>
	<u>\$ 2,739</u>	<u>\$ 2,047</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 was \$28,855,176 thousand, which included warranty cost of \$70,933 thousand and loss on inventory purchase commitment of \$2,166 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 was \$26,037,200 thousand, which included warranty cost of \$38,088 thousand and loss on inventory purchase commitment of \$28,431 thousand.

10. OTHER FINANCIAL ASSETS

Other financial assets are RMB time deposits with original maturity of more than three months. The ranges of the market interest rates of these time deposits were as follows:

	<u>December 31</u>	
	2014	2013
Time deposit with original maturity of more than three months	-	3.35%

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2014	2013
<u>Investment in subsidiary</u>		
Yi-Jan Overseas Investment Co., Ltd.	<u>\$ 23,800,390</u>	<u>\$ 28,185,091</u>

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

	<u>December 31</u>	
	2014	2013
Yi-Jan Overseas Investment Co., Ltd.	100%	100%

Through Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.), the Company's indirect proportion of voting rights in associates were as follows:

	<u>December 31</u>	
	2014	2013
Guangzhou Aeolus Automobile Co., Ltd.	40.00%	40.00%
Aeolus Automobile Co., Ltd.	33.12%	33.12%
Aeolus Xiangyang Automobile Co., Ltd.	16.55%	16.55%
Shenzhen Lan You Technology Co., Ltd.	45.00%	45.00%
Dong Feng Yulon Used Cars Co., Ltd.	49.00%	49.00%

The amounts recognized as share of the profit or loss of subsidiary on equity method for the years ended December 31, 2014 and 2013 were based on the financial statements for the same periods, which were audited by independent auditors.

12. PROPERTY, PLANT, AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportati on Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Cost</u>									
Balance at January 1, 2013	\$ 4,860,514	\$ 964,863	\$ 85,064	\$ 82,255	\$ 4,290	\$ 19,053	\$ 3,441	\$ 5,694	\$ 6,025,174
Additions	426,764	88,297	5,750	4,354	4,305	-	3,942	-	533,412
Disposals	<u>(1,668,369)</u>	<u>(330,008)</u>	<u>(8,921)</u>	<u>(11,076)</u>	<u>-</u>	<u>(524)</u>	<u>(1,118)</u>	<u>-</u>	<u>(2,020,016)</u>
Balance at December 31, 2013	<u>\$ 3,618,909</u>	<u>\$ 723,152</u>	<u>\$ 81,893</u>	<u>\$ 75,533</u>	<u>\$ 8,595</u>	<u>\$ 18,529</u>	<u>\$ 6,265</u>	<u>\$ 5,694</u>	<u>\$ 4,538,570</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2013	\$ (3,591,304)	\$ (593,890)	\$ (69,031)	\$ (66,618)	\$ (4,100)	\$ (15,952)	\$ (1,979)	\$ (4,935)	\$ (4,347,809)
Depreciation expense	(361,039)	(85,563)	(6,773)	(6,202)	(680)	(649)	(878)	(348)	(462,132)
Disposals	<u>1,668,369</u>	<u>330,008</u>	<u>8,921</u>	<u>11,040</u>	<u>-</u>	<u>519</u>	<u>1,118</u>	<u>-</u>	<u>2,019,975</u>
Balance at December 31, 2013	<u>\$ (2,283,974)</u>	<u>\$ (349,445)</u>	<u>\$ (66,883)</u>	<u>\$ (61,780)</u>	<u>\$ (4,780)</u>	<u>\$ (16,082)</u>	<u>\$ (1,739)</u>	<u>\$ (5,283)</u>	<u>\$ (2,789,966)</u>
Carrying value, net, December 31, 2013	<u>\$ 1,334,935</u>	<u>\$ 373,707</u>	<u>\$ 15,010</u>	<u>\$ 13,753</u>	<u>\$ 3,815</u>	<u>\$ 2,447</u>	<u>\$ 4,526</u>	<u>\$ 411</u>	<u>\$ 1,748,604</u>
<u>Cost</u>									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	334,961	104,972	2,231	10,002	8,119	-	-	-	460,285
Disposals	<u>-</u>	<u>-</u>	<u>(8,450)</u>	<u>(238)</u>	<u>(5,852)</u>	<u>(145)</u>	<u>(1,755)</u>	<u>-</u>	<u>(16,440)</u>
Balance at December 31, 2014	<u>\$ 3,953,870</u>	<u>\$ 828,124</u>	<u>\$ 75,674</u>	<u>\$ 85,297</u>	<u>\$ 10,862</u>	<u>\$ 18,384</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,982,415</u>

(Continued)

	Molds	Dies	Computer Equipment	Other Equipment	Transportati on Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2014	\$ (2,283,974)	\$ (349,445)	\$ (66,883)	\$ (61,780)	\$ (4,780)	\$ (16,082)	\$ (1,739)	\$ (5,283)	\$ (2,789,966)
Depreciation expense	(338,562)	(93,647)	(6,243)	(5,433)	(1,031)	(432)	(1,151)	(130)	(446,629)
Disposals	-	-	8,414	235	2,384	145	1,755	-	12,933
Balance at December 31, 2014	<u>\$ (2,622,536)</u>	<u>\$ (443,092)</u>	<u>\$ (64,712)</u>	<u>\$ (66,978)</u>	<u>\$ (3,427)</u>	<u>\$ (16,369)</u>	<u>\$ (1,135)</u>	<u>\$ (5,413)</u>	<u>\$ (3,223,662)</u>
Carrying value, net, December 31, 2014	<u>\$ 1,331,334</u>	<u>\$ 385,032</u>	<u>\$ 10,962</u>	<u>\$ 18,319</u>	<u>\$ 7,435</u>	<u>\$ 2,015</u>	<u>\$ 3,375</u>	<u>\$ 281</u>	<u>\$ 1,758,753</u>

There were no signs of impairment losses of assets for the years ended December 31, 2014 and 2013; therefore, the Company did not assess for impairment.

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

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

13. COMPUTER SOFTWARE

	Computer Software
<u>Cost</u>	
Balance, January 1, 2013	\$ 20,210
Additions	3,231
Disposals	<u>(990)</u>
Balance, December 31, 2013	<u>\$ 22,451</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2013	\$ (8,841)
Amortization expense	(6,713)
	(Continued)

	Computer Software
Disposals	<u>990</u>
Balance, December 31, 2013	<u>\$ (14,564)</u>
Carrying amounts at December 31, 2013	<u>\$ 7,887</u>
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	9,913
Disposals	<u>(13,640)</u>
Balance, December 31, 2014	<u>\$ 18,724</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(5,454)
Disposals	<u>13,640</u>
Balance, December 31, 2014	<u>\$ (6,378)</u>
Carrying amounts at December 31, 2014	<u>\$ 12,346</u>

14. OTHER NON-CURRENT ASSETS

	<u>December 31</u>	
	2014	2013
Refundable deposits	\$ 538,131	\$ 234,653
Prepayment for equipment	<u>35,312</u>	<u>14,389</u>
	<u>\$ 573,443</u>	<u>\$ 249,042</u>

Refundable deposits are mainly for materials to Yulon.

15. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2014	2013
Unsecured bank loans	<u>\$ 3,630,000</u>	<u>\$ 2,630,000</u>
Ranges of weighted average effective interest rate	0.96%-1.10%	0.96%-1.05%

b. Long-term borrowings

	December 31	
	2014	2013
Unsecured bank loans	<u>\$ -</u>	<u>\$ 1,000,000</u>
Interest rate	-	1.35%

The interest payments of the long-term borrowing are made monthly. The principal of the long-term borrowing is repayable upon maturity. The Company made early repayment in October 2014.

16. OTHER PAYABLES

	December 31	
	2014	2013
Salaries and bonus	\$ 296,081	\$ 357,082
Tax	230,936	-
Advertising and promotion fees	156,097	113,701
Others	<u>199,487</u>	<u>186,897</u>
	<u>\$ 882,601</u>	<u>\$ 657,680</u>

17. DEFERRED REVENUE

	December 31	
	2014	2013
Arising from government grants	<u>\$ -</u>	<u>\$ 1,643</u>

The deferred revenue arose in respect of government grant for electric vehicles.

18. PROVISIONS

	December 31	
	2014	2013
Current		
Inventory purchase commitment	\$ 111,978	\$ 109,812
Warranties	<u>60,076</u>	<u>59,317</u>
	<u>\$ 172,054</u>	<u>\$ 169,129</u>
Non-current		
Warranties	<u>\$ 86,282</u>	<u>\$ 74,808</u>

	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2013	\$ 81,381	\$ 148,885	\$ 230,266
Additional provisions recognized	28,431	38,088	66,519
Paid	<u>-</u>	<u>(52,848)</u>	<u>(52,848)</u>
Balance at December 31, 2013	<u>\$ 109,812</u>	<u>\$ 134,125</u>	<u>\$ 243,937</u>
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	2,166	70,933	73,099
Paid	<u>-</u>	<u>(58,700)</u>	<u>(58,700)</u>
Balance at December 31, 2014	<u>\$ 111,978</u>	<u>\$ 146,358</u>	<u>\$ 258,336</u>

The provision for loss on inventory purchase commitment represents the present obligations of which the unavoidable costs meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment.

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 2014 and 2013 was \$12,935 thousand and \$12,548 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

Employee benefit expenses in respect of defined contribution plan were included in the following line items:

	For the Year Ended December 31	
	2014	2013
Selling and marketing expenses	<u>\$ 4,136</u>	<u>\$ 4,018</u>
General and administrative expenses	<u>\$ 4,175</u>	<u>\$ 4,005</u>
Research and development expenses	<u>\$ 4,624</u>	<u>\$ 4,525</u>

b. Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31	
	2014	2013
Discount rate	1.750%	1.750%
Expected return on plan assets	2.000%	2.000%
Expected rate of salary increase	2.500%	2.500%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 5,641	\$ 6,112
Interest cost	10,038	9,476
Expected return on plan assets	(138)	(219)
Past service cost	<u>2,504</u>	<u>2,504</u>
	<u>\$ 18,045</u>	<u>\$ 17,873</u>
An analysis by functions		
Selling and marketing expenses	\$ 4,312	\$ 4,666
General and administrative expenses	8,493	8,145
Research and development expenses	<u>5,240</u>	<u>5,062</u>
	<u>\$ 18,045</u>	<u>\$ 17,873</u>

Actuarial gains recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was \$982 thousand and \$823 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$8,454 thousand and \$9,436 thousand, respectively.

The amounts included in the balance sheet arising from the Company's obligation in respect of its defined benefit plan were as follows:

	December 31	
	2014	2013
Defined benefit obligation	\$ 568,683	\$ 573,593
Fair value of plan assets	<u>(9,957)</u>	<u>(3,601)</u>
Deficit	558,726	569,992
Past service cost not yet recognized	<u>(12,399)</u>	<u>(14,903)</u>
Net liability arising from defined benefit obligation	<u>\$ 546,327</u>	<u>\$ 555,089</u>

Movements in the present value of the defined benefit obligation were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 573,593	\$ 583,133
Current service cost	5,641	6,112
Interest cost	10,038	9,476
Actuarial gains	(973)	(967)
Benefits paid - from plan assets	-	(11,169)
Benefits paid - from book-reserve	<u>(19,616)</u>	<u>(12,992)</u>
Closing defined benefit obligation	<u>\$ 568,683</u>	<u>\$ 573,593</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 3,601	\$ 8,561
Expected return on plan assets	138	219
Actuarial gains/(losses)	9	(144)
Contributions from the employer	6,209	6,134
Benefits paid	<u>-</u>	<u>(11,169)</u>
Closing fair value of plan assets	<u>\$ 9,957</u>	<u>\$ 3,601</u>

For the years ended December 31, 2014 and 2013, the actual return on plan assets were \$147 thousand and \$75 thousand, respectively.

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31	
	2014	2013
Equity instruments	49.69	44.77
Cash and cash equivalents	19.12	22.86
Fixed income instruments	14.46	18.11
Debt instruments	11.92	9.37
Others	<u>4.81</u>	<u>4.89</u>
	<u>100.00</u>	<u>100.00</u>

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ (568,683)</u>	<u>\$ (573,593)</u>	<u>\$ (583,133)</u>	<u>\$ (559,935)</u>
Fair value of the plan assets	<u>\$ 9,957</u>	<u>\$ 3,601</u>	<u>\$ 8,561</u>	<u>\$ 5,458</u>
Deficit	<u>\$ (558,726)</u>	<u>\$ (569,992)</u>	<u>\$ (574,572)</u>	<u>\$ (554,477)</u>
Experience adjustments on plan liabilities	<u>\$ 11,615</u>	<u>\$ (13,778)</u>	<u>\$ (10,147)</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 9</u>	<u>\$ (144)</u>	<u>\$ (111)</u>	<u>\$ -</u>

The Company expects to make a contribution of \$6,674 thousand to the defined benefit plans during the annual period beginning after 2014.

20. EQUITY

a. Capital surplus

	December 31	
	2014	2013
Excess from spin-off	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

The capital surplus from long-term investment may not be used for any purpose.

b. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the legal reserve should be set aside at 10% of annual net income, less any accumulated deficit, and appropriate special reserve. The remainder of the 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.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 23, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Legal reserve	\$ 730,000	\$ 493,048		
Special reserve	(439,912)	439,912		
Cash dividend	5,841,000	3,990,000	\$ 19.47	\$ 13.3

Bonus to employees for 2013 and 2012 approved in the shareholders' meetings on June 23, 2014 and June 14, 2013, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
	<u>Cash Dividend</u>	<u>Cash Dividend</u>
Bonus to employees	\$ 31,500	\$ 30,251

There was no difference between the amounts of the bonus to employees in the shareholders' meetings in 2014 and 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

The estimated amount of accrued employee bonus for the year ended December 31, 2014 was

\$32,723 thousand. The bonuses to the Company's employees for the year ended December 31, 2014 were calculated at 0.56% of net income net of the 10% deduction for legal reserve.

The estimated amount of accrued employee bonus for the year ended December 31, 2013 was \$31,500 thousand. The bonuses to the Company's employees for the year ended December 31, 2013 were calculated at 0.43% of net income net of the 10% deduction for legal reserve.

After the end of the year, if the actual amounts subsequently resolved by the board of directors have significant difference from the proposed amounts, the adjustments to expenses are recorded in the year of recognition. At the date of stockholders' resolution, if the amount differs from the amount resolved by the board of directors, the differences are recorded in the year of stockholders' 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 Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

As of March 23, 2015, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2014 earnings of the Company had not been approved by the board of directors and stockholders. Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

21. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
An analysis of depreciation by function		
Operating cost	\$ 432,209	\$ 446,602
Operating expenses	<u>14,420</u>	<u>15,530</u>
	<u>\$ 446,629</u>	<u>\$ 462,132</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 5,454</u>	<u>\$ 6,713</u>

b. Technical cooperation agreement

	For the Year Ended December 31	
	2014	2013
Operating cost	<u>\$ 507,681</u>	<u>\$ 460,376</u>

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.

c. Employee benefit expenses

	For the Year Ended December 31	
	2014	2013
Post-employment benefit (Note 19)		
Defined contribution plans	\$ 12,935	\$ 12,548
Defined benefit plans	<u>18,045</u>	<u>17,873</u>
	<u>30,980</u>	<u>30,421</u>
Termination benefit	3,900	3,900
Labor and health insurance	36,868	34,648
Other employee benefit	<u>547,850</u>	<u>596,424</u>
	<u>588,618</u>	<u>634,972</u>
Total employee benefit expenses	<u>\$ 619,598</u>	<u>\$ 665,393</u>

An analysis of employee benefits expense by function

Operating cost	\$ 645	\$ 881
Operating expenses	<u>\$ 617,829</u>	<u>\$ 663,487</u>
Non-operating expenses	<u>\$ 1,124</u>	<u>\$ 1,025</u>

The number of employees for the years ended December 31, 2014 and 2013 were 428 and 422, respectively.

d. Non-operating income and expenses

	For the Year Ended December 31	
	2014	2013
Net gain/(loss) on disposal of property, plant and equipment	<u>\$ 1,131</u>	<u>\$ (15)</u>

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign currency exchange gain	\$ 495,700	\$ 55,580
Foreign currency exchange loss	<u>(84,740)</u>	<u>(3,905)</u>
Net gain	<u>\$ 410,960</u>	<u>\$ 51,675</u>

f. Gain or loss on sale of investment

	For the Year Ended December 31	
	2014	2013
Gain on sale of investment	\$ 9,705	\$ 5,211
Loss on sale of investment	<u>(3,741)</u>	<u>(1,466)</u>
Net gain	<u>\$ 5,964</u>	<u>\$ 3,745</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	\$ 2,402,152	\$ 921,450
Adjustments for prior years	1,265	4,257
Deferred tax		
In respect of the current year	<u>(900,499)</u>	<u>581,186</u>
Income tax expense recognized in profit or loss	<u>\$ 1,502,918</u>	<u>\$ 1,506,893</u>

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

	For the Year Ended December 31	
	2014	2013
Profit before tax	<u>\$ 8,026,677</u>	<u>\$ 8,806,890</u>
Income tax expense calculated at the statutory rate (17%)	\$ 1,364,535	\$ 1,497,171
Nondeductible expenses in determining taxable income	23,854	5,646
Tax-exempt income	(3,695)	(933)
Additional income tax on unappropriated earnings	116,959	752
Adjustments for prior years' tax	<u>1,265</u>	<u>4,257</u>
Income tax expense recognized in profit or loss	<u>\$ 1,502,918</u>	<u>\$ 1,506,893</u>

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Actuarial gains and losses on defined benefit plan	\$ <u>(167)</u>	\$ <u>(140)</u>

c. Current tax liabilities

	December 31	
	2014	2013
<u>Current tax liabilities</u>		
Income tax payable	\$ <u>977,135</u>	\$ <u>490,530</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,999	\$ (212)	\$ (140)	\$ 94,647
Impairment losses	78,193	(25,946)	-	52,247
Provisions for warranty	25,310	(2,509)	-	22,801
Provisions for loss on inventory purchase commitment	13,835	4,833	-	18,668
Unrealized exchange loss, net	4,985	(4,985)	-	-
Deferred revenue	<u>3,813</u>	<u>(3,813)</u>	<u>-</u>	<u>-</u>
	<u>\$ 221,135</u>	<u>\$ (32,632)</u>	<u>\$ (140)</u>	<u>\$ 188,363</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of subsidiary	\$ 2,927,514	\$ 543,104	\$ -	\$ 3,470,618
Unrealized exchange gain, net	<u>-</u>	<u>5,450</u>	<u>-</u>	<u>5,450</u>
	<u>\$ 2,927,514</u>	<u>\$ 548,554</u>	<u>\$ -</u>	<u>\$ 3,476,068</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,647	\$ (1,323)	\$ (167)	\$ 93,157
Impairment losses	52,247	(24,612)	-	27,635
Provisions for warranty	22,801	2,080	-	24,881
Provisions for loss on inventory purchase commitment	<u>18,668</u>	<u>368</u>	<u>-</u>	<u>19,036</u>
	<u>\$ 188,363</u>	<u>\$ (23,487)</u>	<u>\$ (167)</u>	<u>\$ 164,709</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of subsidiary	\$ 3,470,618	\$ (964,024)	\$ -	\$ 2,506,594
Unrealized exchange gain, net	<u>5,450</u>	<u>40,038</u>	<u>-</u>	<u>45,488</u>
	<u>\$ 3,476,068</u>	<u>\$ (923,986)</u>	<u>\$ -</u>	<u>\$ 2,552,082</u>

e. Integrated income tax

	December 31	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 12,607,444</u>	<u>\$ 12,213,958</u>
Imputation credit account ("ICA")	<u>\$ 881,287</u>	<u>\$ 813,731</u>
	For the Year Ended December 31	
	2014	2013
	(Expected)	(Actual)
Creditable ratio for distribution	14.74%	6.67%

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessment

The tax returns through 2012 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2014	2013
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 6,523,759</u>	<u>\$ 7,299,997</u>

Weighted-average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Year Ended December 31	
	2014	2013
Weighted average number of ordinary shares in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive ordinary shares:		
Bonus issue to employees	<u>141</u>	<u>126</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,141</u>	<u>300,126</u>

The Company may settle bonuses paid to employees in cash or shares; thus, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2014 and 2013, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2014	2013
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 439,933	\$ 515,061
Decrease in trade payables	<u>46,447</u>	<u>569,053</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 486,380</u>	<u>\$ 1,084,114</u>

25. OPERATING LEASE AGREEMENTS

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2014	2013
No later than 1 year	\$ 2,508	\$ 2,508
Later than 1 year and not later than 5 years	<u>3,971</u>	<u>6,479</u>
	<u>\$ 6,479</u>	<u>\$ 8,987</u>

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management believes the carrying value of the financial assets and financial liabilities not carried at fair value is approximately equal to the fair value.

2) Fair value measurements recognized in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 331,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,032</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 434,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,741</u>

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

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	2014	2013
<u>Financial assets</u>		
Fair value through profit or loss		
Held for trading	\$ 331,032	\$ 434,741
Loans and receivables (Note 1)	9,831,101	4,491,786
<u>Financial liabilities</u>		
Amortized cost (Note 2)	4,876,724	5,106,211

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, part of other payables, and long-term loans.

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	<u>RMB Impact</u>		<u>U.S. Dollar Impact</u>		<u>Japan Yen Impact</u>	
	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>	<u>For the Year Ended December 31</u>
	2014	2013	2014	2013	2014	2013
Gain (loss)	\$ (409,199)	\$ (165,708)	\$ (5,979)	\$ (3,450)	\$ (1,434)	\$ (749)

This was mainly attributable to the exposure outstanding on RMB, U.S. dollars, and Japanese Yen cash in bank, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	December 31	
	2014	2013
Fair value interest rate risk		
Financial assets	\$ 8,030,577	\$ 3,336,817
Financial liabilities	500,000	3,630,000
Cash flows interest rate risk		
Financial assets	1,463,381	796,221
Financial liabilities	3,130,000	-

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the year ended December 31, 2014 would decrease/increase by \$4,167 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the year ended December 31, 2013 would decrease/increase by \$1,991 thousand, which was mainly attributable to the Company's exposure to interest rates on its demand deposits.

2) Credit risk

The Company's concentration of credit risk of 46% and 49% in total trade receivables as of December 31, 2014 and 2013, respectively, was related to the Company's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2014 and 2013, the available unutilized short-term borrowings facilities were \$2,070,000 thousand and \$370,000 thousand, respectively.

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

December 31, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 1,018,924	\$ 67,421	\$ 159,019	\$ -
Floating interest rate instrument	0.96	1,133,555	2,000,925	-	-
Fixed interest rate instrument	1.10	<u>500,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,652,614</u>	<u>\$ 2,068,346</u>	<u>\$ 159,019</u>	<u>\$ -</u>

December 31, 2013

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 970,731	\$ 292,470	\$ 211,544	\$ -
Fixed interest rate instrument	1.08	<u>631,466</u>	<u>2,006,287</u>	<u>10,125</u>	<u>1,008,544</u>
		<u>\$ 1,602,197</u>	<u>\$ 2,298,757</u>	<u>\$ 221,669</u>	<u>\$ 1,008,544</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

- a. Related parties

Related Party	Relationship with the Company
Investors that have significant influence over the Company	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Subsidiaries	
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jetford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Motor India Private Limited	Subsidiary of Nissan
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distributor Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Motors Co., Ltd Honmoku Plant	Same as above
Nissan Philippines Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Allied Engineering Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Univatin Motor Philippines, Inc. (Nissan Motor Philippines, Inc.)	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
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

(Continued)

Related Party	Relationship with the Company
Chi Ho Corporation	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
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.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.

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

1) Trading transactions

	For the Year Ended December 31	
	2014	2013
<u>Sales</u>		
Investors that have significant influence	\$ 11,212	\$ 10,309
Others	<u>32,546,046</u>	<u>30,844,618</u>
	<u>\$ 32,557,258</u>	<u>\$ 30,854,927</u>
<u>Service revenue</u>		
Investors that have significant influence	\$ 1,382	\$ 16,872
<u>Other operating revenue</u>		
Investors that have significant influence	\$ 16,547	\$ 21,286
Others	<u>21,209</u>	<u>18,413</u>
	<u>\$ 37,756</u>	<u>\$ 39,699</u>

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

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

	<u>For the Year Ended December 31</u>	
	2014	2013
<u>Operating cost - purchase</u>		
Investors that have significant influence	\$ 27,463,115	\$ 24,825,735
Others	<u>108,182</u>	<u>40,724</u>
	<u>\$ 27,571,297</u>	<u>\$ 24,866,459</u>
<u>Operating cost - TCA</u>		
Investors that have significant influence	<u>\$ 507,681</u>	<u>\$ 460,376</u>
<u>Operating cost - rental</u>		
Investors that have significant influence	\$ 13,626	\$ 12,323
Others	<u>13,296</u>	<u>16,713</u>
	<u>\$ 26,922</u>	<u>\$ 29,036</u>

The Company's TCA is the payment to investors with significant influence, with whom the Company has technical cooperation agreements.

The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, cars and driving service for its executives.

	<u>For the Year Ended December 31</u>	
	2014	2013
<u>Selling and marketing expenses</u>		
Investors that have significant influence	\$ 32,908	\$ 42,433
Others	<u>1,468,999</u>	<u>1,750,092</u>
	<u>\$ 1,501,907</u>	<u>\$ 1,792,525</u>
<u>General and administrative expenses</u>		
Investors that have significant influence	\$ 12,211	\$ 20,486
Others	<u>183,379</u>	<u>186,468</u>
	<u>\$ 195,590</u>	<u>\$ 206,954</u>
<u>Research and development expenses</u>		
Investors that have significant influence	\$ 100,291	\$ 89,939
Others	<u>27,922</u>	<u>26,324</u>
	<u>\$ 128,213</u>	<u>\$ 116,263</u>

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

General and administrative expenses are payment to other parties for consulting, labor dispatch and IT services.

Research and development expenses are payment to investors with significant influence for sample products, trial fee, and TOBE System.

The Company bought molds from related parties (molds purchased were recorded under property, plant and equipment) as follows:

	For the Year Ended December 31	
	2014	2013
Investors that have significant influence	\$ 16,624	\$ -
Others	<u>130,942</u>	<u>167,103</u>
	<u>\$ 147,566</u>	<u>\$ 167,103</u>

2) Non-operating transactions

	For the Year Ended December 31	
	2014	2013
<u>Other revenue</u>		
Investors that have significant influence	\$ 168	\$ 581
Others	<u>-</u>	<u>399</u>
	<u>\$ 168</u>	<u>\$ 980</u>
<u>Overseas business expenses</u>		
Others	<u>\$ 13,344</u>	<u>\$ 15,486</u>
<u>Other losses</u>		
Investors that have significant influence	<u>\$ 31</u>	<u>\$ 32</u>

3) Receivables from related parties

	December 31	
	2014	2013
<u>Notes receivable</u>		
Others	<u>\$ 905</u>	<u>\$ 2,312</u>
<u>Trade receivables</u>		
Subsidiary	\$ 6,329	\$ 10,100
Investors that have significant influence	14,890	40,837
Others	<u>203,276</u>	<u>241,292</u>
	<u>\$ 224,495</u>	<u>\$ 292,229</u>

4) Payables to related parties

	December 31	
	2014	2013
<u>Notes payable</u>		
Investors that have significant influence	\$ <u> -</u>	\$ <u> 1,536</u>
<u>Trade payables</u>		
Investors that have significant influence	\$ 253,986	\$ 659,922
Others	<u> 311,485</u>	<u> 413,170</u>
	<u>\$ 565,471</u>	<u>\$1,073,092</u>

5) Refundable deposits

	December 31	
	2014	2013
Investors that have significant influence	\$ 488,561	\$ 174,432
Others	<u> 47,977</u>	<u> 59,284</u>
	<u>\$ 536,538</u>	<u>\$ 233,716</u>

c. Compensation of key management personnel:

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 44,464	\$ 42,279
Post-employment benefits	<u> 1,986</u>	<u> 1,585</u>
	<u>\$ 46,450</u>	<u>\$ 43,864</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,061,218 thousand and \$2,017,040 thousand for the years ended December 31, 2014 and 2013, 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 trade receivable sold to Taiwan Acceptance Corporation were \$1,149 thousand and \$1,185 thousand for the years ended December 31, 2014 and 2013, respectively.
- 2) The Company bought other equipment for \$247 thousand and \$769 thousand from Singgual Technology Co., Ltd. for the years ended December 31, 2014 and 2013. All of them were recorded under property, plant and equipment.

- 3) The Company had sold property, plant and equipment to related-party; the related party and amounts for the year ended December 31, 2014 are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 4,629	\$ 3,468	\$ 1,161

- 4) The Company bought computer software for \$148 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2014. All of them were recorded under computer software.
- 5) 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 \$790,155 thousand (excluding of tax) 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 2014. The Company had already paid \$681,226 thousand (recognized as property, plant, and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2014 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. 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. As of December 31, 2014, both parties did not receive a termination notice, so the contract automatically extended.

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, 2014, no buy-back of vehicles has occurred.

c. Unrecognized commitments

	December 31	
	2014	2013
Acquisition of property, plant, and equipment	\$ 234,249	\$ 289,990
Acquisition of computer software	<u>296</u>	<u>1,331</u>
	<u>\$ 234,545</u>	<u>\$ 291,321</u>

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,607,224	5.0920(RMB:NTD)	\$ 8,183,984
USD	3,778	31.65(USD:NTD)	119,586
JPY	108,653	0.2646 (JPY:NTD)	28,749

Financial liabilities

Monetary item			
JPY	278	0.2646 (JPY:NTD)	74

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 675,808	4.9040(RMB:NTD)	\$ 3,314,162
USD	2,315	29.805(USD:NTD)	68,999
JPY	53,715	0.2839 (JPY:NTD)	15,250

Financial liabilities

Monetary items			
JPY	919	0.2839 (JPY:NTD)	261

31. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
- 1) Financing provided to others: None
 - 2) Endorsements guarantees provided: None
 - 3) Market securities held (excluding investment in subsidiaries and associates): Table 1 (attached)
 - 4) Marketable securities acquired and disposed at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of real individual estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 9) Trading in derivative instruments: None
 - 10) Information on investees: Table 4 (attached)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 5 (attached)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

YULON NISSAN MOTOR COMPANY, LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(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, 2014			Market Value or Net Asset Value (Note)	Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership %		
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>							
	Yuanta De-Bao Money Market Fund	-	Financial assets at fair value through profit or loss	9,821	\$ 105,269	-	\$ 105,269	
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	80,738	-	80,738	
	Fuh Hwa Global Bond	-	Financial assets at fair value through profit or loss	2,928	40,218	-	40,218	
	Allianz GIBL Inv GIBL Biotech	-	Financial assets at fair value through profit or loss	1,081	38,994	-	38,994	
	Yuanta Global REITs Fund	-	Financial assets at fair value through profit or loss	1,770	21,363	-	21,363	
	Nomura Investment Grade USD Credit Acc	-	Financial assets at fair value through profit or loss	1,781	20,036	-	20,036	
	Capital US Opportunity	-	Financial assets at fair value through profit or loss	1,117	13,121	-	13,121	
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss	667	11,293	-	11,293	

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value and the redemption price as of December 31, 2014.

YULON NISSAN MOTOR COMPANY, LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE 2

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	Equity-method investor of the Company	Purchase	\$ 27,438,045	98	5 days after sales for parts	\$ -	\$ (132,058)	(19)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	29,532,957	89	3 days after sales for vehicles	-	90,416	30	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	366,743	1	3 days after sales for vehicles	-	6,088	2	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	350,365	1	15 days after sales for parts	-	3,154	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	315,776	1	Same as above	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	278,913	1	15 days after sales for parts	-	-	-	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	265,793	1	Immediate payment for vehicles	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	254,783	1	Same as above	-	2,373	1	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	242,075	1	15 days after sales for parts	-	2,728	1	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	225,047	1	Immediate payment for vehicles	-	-	-	-
	Chi Ho Corporation	Substantial related party of Yulon	Sale	127,529	-	Same as above	-	-	-	-

Note 1: Transaction terms are based on agreements.

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

Note 3: Balances shown here are based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 3

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 90,416 Other receivables \$ 21,940	232.57	\$ -	-	\$ 90,416 21,940	\$ -

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

YULON NISSAN MOTOR COMPANY, LTD.

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE 4

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2014		Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$1,847,983 (US\$57,371)	84,987	\$23,800,390	\$ 6,677,910	\$ 6,677,910	Note 2
Yi-Jan Overseas Investment Co., Ltd.	JetFord, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$57,171	71,772	US\$751,775	US\$220,357	US\$220,357	Note 2
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	-	US\$ 85,840	US\$ 64,463	US\$ 10,222	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$18,710	-	US\$ 57,024	US\$ 3,245	US\$ 1,075	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	-	US\$399,697	US\$513,803	US\$205,521	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	-	US\$ 17,765	US\$ 5,756	US\$ 2,590	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	-	US\$ (700)	US\$ (3,749)	US\$ (1,837)	Notes 2 and 3

Note 1: Shares of profit include the amortization of investment premium or discount.

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

Note 3: The Company's share of loss exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

YULON NISSAN MOTOR COMPANY, LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE 5

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outflow	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	\$ 1,953,598 (US\$ 64,463)	\$ 309,794 (US\$ 10,222)	\$ 2,716,828 (US\$ 85,840)	\$ 876,623 (US\$ 28,078)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	98,336 (US\$ 3,245)	32,569 (US\$ 1,075)	1,804,815 (US\$ 57,024)	4,597,012 (US\$ 148,224)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	15,571,122 (US\$ 513,803)	6,228,449 (US\$205,521)	12,650,417 (US\$ 399,697)	10,914,750 (US\$ 355,880)
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	174,436 (US\$ 5,756)	78,496 (US\$ 2,590)	562,276 (US\$ 17,765)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	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	(113,605) (US\$ -3,749)	(55,667) (US\$ -1,837)	(22,141) (US\$ -700)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$16,158,307

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

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

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

Note 4: The Company's share of loss exceeds its interest in Dong Feng Yulon Used Car s Co., Ltd. The Company recognized additional loss on constructive future obligations to settle D ong Feng Yulon Used Cars Co., Ltd.

5. The Audited Consolidated Financial Statements of the Parent Company and Subsidiaries in Recent Year

Independent Auditors' Report

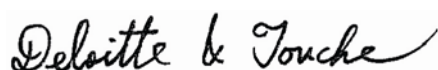
The Board of Directors and Stockholders
Yulon Nissan Motor Company, Ltd.

We have audited the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of Yulon Nissan Motor Company, Ltd. as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.



March 23, 2015

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$12,831,865	35	\$8,567,899	24
Financial assets at fair value through profit or loss (Notes 4 and 7)	331,032	1	434,741	1
Notes receivable (Notes 4 and 8)	2,000	-	27	-
Notes receivable - related parties (Notes 4 and 28)	905	-	2,312	-
Trade receivables (Notes 4 and 8)	70,218	-	41,706	-
Trade receivables - related parties (Notes 4 and 28)	220,133	1	286,196	1
Other receivables (Notes 4 and 8)	96,152	-	351,164	1
Inventories (Notes 4 and 9)	2,739	-	2,047	-
Prepayments	509,050	2	877,335	3
Other financial assets (Note 10)	<u>2,198,866</u>	<u>6</u>	<u>7,572,375</u>	<u>21</u>
Total current assets	<u>16,262,960</u>	<u>45</u>	<u>18,135,802</u>	<u>51</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 11)	17,734,336	49	14,989,267	42
Property, plant and equipment (Notes 4, 12 and 28)	1,758,753	5	1,748,604	5
Computer software (Notes 4, 13 and 28)	12,346	-	7,887	-
Deferred tax assets (Notes 4 and 22)	164,709	-	188,363	1
Other non-current assets (Notes 14 and 28)	<u>573,443</u>	<u>1</u>	<u>249,042</u>	<u>1</u>
Total non-current assets	<u>20,243,587</u>	<u>55</u>	<u>17,183,163</u>	<u>49</u>
TOTAL	<u>\$ 36,506,547</u>	<u>100</u>	<u>\$ 35,318,965</u>	<u>100</u>

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

LIABILITIES AND EQUITY	2014		2013	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 3,630,000	10	\$ 2,630,000	8
Notes payable - related parties (Note 28)	-	-	1,536	-
Trade payables	122,244	-	127,494	-
Trade payables - related parties (Note 28)	565,471	2	1,073,092	3
Other payables (Note 16)	882,601	2	657,680	2
Current tax liabilities (Notes 4 and 22)	977,135	3	490,530	1
Provisions (Notes 4 and 18)	172,054	-	169,129	1
Deferred revenue (Note 17)	-	-	1,643	-
Other current liabilities	19,698	-	21,419	-
Total current liabilities	<u>6,369,203</u>	<u>17</u>	<u>5,172,523</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	-	-	1,000,000	3
Provisions (Notes 4 and 18)	86,282	-	74,808	-
Credit balance of investments accounted for using equity method (Notes 4 and 11)	22,141	-	-	-
Accrued pension liabilities (Notes 4 and 19)	546,327	2	555,089	1
Deferred tax liabilities (Notes 4 and 22)	<u>2,552,082</u>	<u>7</u>	<u>3,476,068</u>	<u>10</u>
Total non-current liabilities	<u>3,206,832</u>	<u>9</u>	<u>5,105,965</u>	<u>14</u>
Total liabilities	<u>9,576,035</u>	<u>26</u>	<u>10,278,488</u>	<u>29</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>8</u>	<u>3,000,000</u>	<u>9</u>
Capital surplus	<u>6,129,405</u>	<u>17</u>	<u>6,129,405</u>	<u>17</u>
Retained earnings				
Legal reserve	2,987,887	8	2,257,887	6
Special reserve	788,877	2	1,228,789	3
Unappropriated earnings	<u>12,607,444</u>	<u>35</u>	<u>12,213,958</u>	<u>35</u>
Total retained earnings	<u>16,384,208</u>	<u>45</u>	<u>15,700,634</u>	<u>44</u>
Other equity	<u>1,416,899</u>	<u>4</u>	<u>210,438</u>	<u>1</u>
Total equity	<u>26,930,512</u>	<u>74</u>	<u>25,040,477</u>	<u>71</u>
TOTAL	<u>\$36,506,547</u>	<u>100</u>	<u>\$35,318,965</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 COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales (Note 4)	\$ 33,126,357	100	\$ 31,412,448	100
Service revenue (Note 4)	8,078	-	16,872	-
Other operating revenue	<u>42,402</u>	<u>-</u>	<u>56,730</u>	<u>-</u>
Total operating revenue	33,176,837	100	31,486,050	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 21 and 28)	<u>28,855,176</u>	<u>87</u>	<u>26,037,200</u>	<u>83</u>
GROSS PROFIT	<u>4,321,661</u>	<u>13</u>	<u>5,448,850</u>	<u>17</u>
OPERATING EXPENSES (Notes 19, 21 and 28)				
Selling and marketing expenses	2,564,472	8	2,611,485	8
General and administrative expenses	385,186	1	387,862	1
Research and development expenses	<u>586,905</u>	<u>2</u>	<u>617,309</u>	<u>2</u>
Total operating expenses	<u>3,536,563</u>	<u>11</u>	<u>3,616,656</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 21 and 28)	<u>1,131</u>	<u>-</u>	<u>(15)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>786,229</u>	<u>2</u>	<u>1,832,179</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of profit of associates	6,593,641	20	6,269,191	20
Interest income (Note 4)	398,147	1	348,901	1
Foreign currency exchange gain, net (Note 21)	287,674	1	391,529	1
Gain on valuation of financial assets, net	14,032	-	1,741	-
Gain on disposal of investment, net (Note 21)	5,964	-	3,745	-
Other revenue (Note 28)	5,078	-	4,553	-
Interest expenses (Note 28)	(42,689)	-	(16,994)	-
Overseas business expenses (Note 28)	(18,712)	-	(26,132)	-
Other losses (Note 28)	<u>(2,687)</u>	<u>-</u>	<u>(1,823)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,240,448</u>	<u>22</u>	<u>6,974,711</u>	<u>22</u>
PROFIT BEFORE TAX	8,026,677	24	8,806,890	28
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,502,918</u>	<u>4</u>	<u>1,506,893</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>6,523,759</u>	<u>20</u>	<u>7,299,997</u>	<u>23</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	\$ 1,206,461	3	\$ 1,114,504	4
Actuarial gain arising from defined benefit plans (Note 19)	982	-	823	-
Income tax relating to components of other comprehensive income (Notes 4 and 22)	<u>(167)</u>	<u>-</u>	<u>(140)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,207,276</u>	<u>3</u>	<u>1,115,187</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,731,035</u>	<u>23</u>	<u>\$ 8,415,184</u>	<u>27</u>
NET INCOME ATTRIBUTED TO				
Stockholders of the company	<u>\$ 6,523,759</u>	<u>20</u>	<u>\$ 7,299,997</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO				
Stockholders of the company	<u>\$ 7,731,035</u>	<u>23</u>	<u>\$ 8,415,184</u>	<u>27</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$21.75</u>		<u>\$24.33</u>	
Diluted	<u>\$21.74</u>		<u>\$24.32</u>	

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock (Note 20)	Capital Surplus (Note 20)
BALANCE, JANUARY 1, 2013	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>
Appropriation of 2012 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$13.3 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2013	-	-
Other comprehensive income for the year ended December 31, 2013, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2013	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2013	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2013 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividend distributed by the Company - \$19.47 per share	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net profit for the year ended December 31, 2014	-	-
Other comprehensive income for the year ended December 31, 2014, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year ended December 31, 2014	<u>-</u>	<u>-</u>
BALANCE, DECEMBER 31, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

(In Thousands of New Taiwan Dollars)

<u>Retained Earnings (Note 20)</u>			<u>Other Equity</u>	<u>Total</u>
<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>	<u>Exchange Differences on Translating Foreign Operations</u>	<u>Stockholders' Equity</u>
\$ 1,764,839	\$ 788,877	\$ 9,836,238	\$ (904,066)	\$ 20,615,293
493,048	-	(493,048)	-	-
-	439,912	(439,912)	-	-
-	-	(3,990,000)	-	(3,990,000)
<u>493,048</u>	<u>439,912</u>	<u>(4,922,960)</u>	<u>-</u>	<u>(3,990,000)</u>
-	-	7,299,997	-	7,299,997
-	-	683	1,114,504	1,115,187
-	-	7,300,680	1,114,504	8,415,184
<u>2,257,887</u>	<u>1,228,789</u>	<u>12,213,958</u>	<u>210,438</u>	<u>25,040,477</u>
730,000	-	(730,000)	-	-
-	(439,912)	439,912	-	-
-	-	(5,841,000)	-	(5,841,000)
<u>730,000</u>	<u>(439,912)</u>	<u>(6,131,088)</u>	<u>-</u>	<u>(5,841,000)</u>
-	-	6,523,759	-	6,523,759
-	-	815	1,206,461	1,207,276
-	-	6,524,574	1,206,461	7,731,035
<u>\$ 2,987,887</u>	<u>\$ 788,877</u>	<u>\$ 12,607,444</u>	<u>\$ 1,416,899</u>	<u>\$ 26,930,512</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 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,026,677	\$ 8,806,890
Adjustments for:		
Depreciation expenses	446,629	462,132
Amortization expenses	5,454	6,713
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(14,032)	(1,741)
Interest expense	42,689	16,994
Interest income	(398,147)	(348,901)
Share of profit of associates	(6,593,641)	(6,269,191)
Net loss (gain) on disposal of property, plant and equipment	(1,131)	15
Net gain on disposal of investment	(5,964)	(3,745)
Net gain on foreign currency exchange	(460,335)	(414,495)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	123,705	(429,255)
Notes receivable	(1,973)	(27)
Notes receivable - related parties	1,407	(698)
Trade receivables	(28,512)	(5,152)
Trade receivables - related parties	66,063	293,142
Other receivables	2,765	227,960
Inventories	(692)	(500)
Prepayments	(1,743)	321,826
Notes payable - related parties	(1,536)	1,536
Trade payables	(5,250)	(9,825)
Trade payables - related parties	(461,174)	(268,139)
Other payables	225,026	107,388
Other current liabilities	(1,721)	(4,793)
Deferred revenue	(1,643)	(11,225)
Provisions	14,399	13,671
Accrued pension liabilities	(7,780)	(1,253)
Cash generated from operations	969,540	2,489,327
Interest paid	(42,794)	(15,553)
Income tax paid	(1,484,271)	(1,093,697)
Net cash generated from (used in) operating activities	(557,525)	1,380,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other financial assets	5,433,877	(1,918,135)
Payment for property, plant and equipment (Note 24)	(486,380)	(1,084,114)
Proceeds from disposal of property, plant and equipment	4,638	26
Payments for computer software	(9,913)	(3,231)
Increase in other non-current assets	(344,753)	(181,563)
Interest received	650,394	217,424
Dividends received	5,057,835	5,194,339
Net cash generated from investing activities	10,305,698	2,224,746 (Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 1,000,000	\$ 2,430,000
Proceeds from long-term borrowings	-	1,000,000
Repayment of long-term borrowings	(1,000,000)	-
Payments of dividends	<u>(5,841,000)</u>	<u>(3,990,000)</u>
Net cash used in financing activities	<u>(5,841,000)</u>	<u>(560,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>356,793</u>	<u>694,621</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,263,966	3,739,444
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,567,899</u>	<u>4,828,455</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,831,865</u>	<u>\$ 8,567,899</u>

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

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 ND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in October 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.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the board of directors on March 23, 2015.

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

The Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 Version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) Endorsed by the FSC Not Yet Effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulation Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

The initial application of the above 2013 IFRSs version and the related amendments to the Regulation Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies.

New IFRSs in Issue but Not Yet Endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

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

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

b. Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership	
			December 31 2014	December 31 2013
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00

Foreign Currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations subsidiaries are translated into New Taiwan dollars at year-end rates; profit and loss are translated at the average rates during the year; stockholders' equity - historical rate. The resulting differences are recorded as other comprehensive income.

Inventories

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

Investment in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Besides, the Group also recognizes the Group's share of the change in other equity of associates.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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

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

Property, Plant and Equipment

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

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Computer Software

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

Impairment of Assets

When the carrying amount of property, plant and equipment and computer software exceeds its recoverable amount, the excess is recognized as an impairment loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

Financial Instruments

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

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

- a. Financial assets

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

1) Measurement category

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest (included dividend or interest received in the investment year) earned on the financial asset. Method to determine the fair value please refer to Note 27.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitment

Where the Group has a commitment under which the unavoidable costs of meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment, the present obligations arising under such commitment (e.g. inventory purchase commitment) are recognized and measured as provisions.

b. Warranties

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

b. Rendering of services

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

c. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The accrued pension liabilities recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

Taxation

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

a. Current tax

Current taxable payable depends on current tax income. Taxable income is different from the net income before tax on the consolidated statement of comprehensive income for the reason that partial revenue and expenses are taxable or deductible items in other period, or not the taxable or deductible items according to related Income Tax Law. The Group's current tax liabilities are calculated by the legislated tax rate on balance sheet date.

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 as the status of appropriations of earnings is uncertain.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2014 and 2013, the carrying values of trade receivables were \$389,408 thousand and \$681,405 thousand, respectively.

b. Property, plant and equipment - molds and dies

The Group depreciates molds and dies using unit-of-output method. The Group examines the estimated production units of each model according to the market every 6 months and calculates the amount allocated for each mold and die, which is also the basis of depreciation of molds and dies.

c. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of December 31, 2014 and 2013, the carrying amount of provisions for warranty was \$146,358 thousand and \$134,125 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Group assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of December 31, 2014 and 2013, the carrying amount of provisions for loss on inventory purchase commitment was \$111,978 thousand and \$109,812 thousand, respectively.

e. Recognition and measurement of defined benefit plans

The Group uses judgments and estimations in determining the actuarial assumptions for calculation of the present value of defined benefit obligation at the end of each reporting period. Actuarial assumptions comprise the discount rate and the expected return rate on plan assets. Changes in the assumptions may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	1,184,495	754,979
Foreign currency demand deposits	1,081,033	2,648,035
Cash equivalents		
Foreign currency time deposits	10,559,417	5,157,965
Time deposits	<u>6,900</u>	<u>6,900</u>
	<u>\$ 12,831,865</u>	<u>\$ 8,567,899</u>

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

The market interest rates intervals of cash in bank and time deposits at the end of the reporting period were as follows:

	December 31	
	2014	2013
Demand deposits and time deposits	0.01%-3.40%	0.01%-3.25%

7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
<u>Financial assets held for trading</u>		
Non-derivative financial assets		
Mutual funds	<u>\$ 331,032</u>	<u>\$ 434,741</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2014	2013
<u>Notes receivable</u>	<u>\$ 2,000</u>	<u>\$ 27</u>
<u>Trade receivables</u>	<u>\$ 70,218</u>	<u>\$ 41,706</u>
<u>Other receivables</u>		
Interest receivables	\$ 81,788	\$ 334,035
Disposal of investment receivables	-	5,297
Others	<u>14,364</u>	<u>11,832</u>
	<u>\$ 96,152</u>	<u>\$ 351,164</u>

a. Notes receivable

For the notes receivable, there were no past due balances at the end of the reporting period and the Group did not recognize an allowance for impairment loss

b. Trade receivables

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2014	2013
Less than 180 days	<u>\$ 22,720</u>	<u>\$ 13,833</u>

9. INVENTORIES

	December 31	
	2014	2013
Parts	\$ 1,664	\$ 2,047
Vehicle	<u>1,075</u>	<u>-</u>
	<u>\$ 2,739</u>	<u>\$ 2,047</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 was \$28,855,176 thousand, which included warranty cost of \$70,933 thousand and loss on inventory purchase commitment of \$2,166 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 was \$26,037,200 thousand, which included warranty cost of \$38,088 thousand and loss on inventory purchase commitment of \$28,431 thousand.

10. OTHER FINANCIAL ASSETS

Other financial assets are RMB time deposits with original maturities more than three months. The ranges of the market interest rates of these time deposits were as follows:

	December 31	
	2014	2013
Time deposit with original maturity more than three months	3.25%-3.75%	2.35%-5.00%

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
<u>Investment in associates</u>		
Guangzhou Aeolus Automobile Co., Ltd.	\$ 12,650,417	\$ 8,669,017
Aeolus Xiangyang Automobile Co., Ltd.	2,716,828	2,261,228
Aeolus Automobile Co., Ltd.	1,804,815	3,571,067
Shenzhen Lan You Technology Co., Ltd.	562,276	453,724
Dong Feng Yulon Used Cars Co., Ltd.	<u>(22,141)</u>	<u>34,231</u>
	17,712,195	14,989,267
Add: Credit balance of investments accounted for using equity method	<u>22,141</u>	<u>-</u>
	<u>\$ 17,734,336</u>	<u>\$ 14,989,267</u>

As the end of the reporting periods, the proportion of ownership and voting rights in associates held by the Group were as follows:

Name of Associate	December 31	
	2014	2013
Guangzhou Aeolus Automobile Co., Ltd.	40.00%	40.00%
Aeolus Xiangyang Automobile Co., Ltd.	16.55%	16.55%
Aeolus Automobile Co., Ltd.	33.12%	33.12%
Shenzhen Lan You Technology Co., Ltd.	45.00%	45.00%
Dong Feng Yulon Used Cars Co., Ltd.	49.00%	49.00%

The summarized financial information in respect of the Group's associates is set out below:

	December 31	
	2014	2013
Total assets	<u>\$ 74,643,842</u>	<u>\$ 73,126,807</u>
Total liabilities	<u>\$ 20,169,080</u>	<u>\$ 26,221,061</u>
	For the Year Ended December 31	
	2014	2013
Revenue for the year	<u>\$ 37,319,860</u>	<u>\$ 60,026,176</u>
Profit for the year	<u>\$ 17,683,887</u>	<u>\$ 19,308,831</u>

The amounts recognized as share of profit of associates on equity method for the years ended December 31, 2014 and 2013 were based on the financial statements for the same periods, which were audited by independent auditors.

12. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportati on Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
Cost									
Balance at January 1, 2013	\$ 4,860,514	\$ 964,863	\$ 85,064	\$ 82,255	\$ 4,290	\$ 19,053	\$ 3,441	\$ 5,694	\$ 6,025,174
Additions	426,764	88,297	5,750	4,354	4,305	-	3,942	-	533,412
Disposals	<u>(1,668,369)</u>	<u>(330,008)</u>	<u>(8,921)</u>	<u>(11,076)</u>	<u>-</u>	<u>(524)</u>	<u>(1,118)</u>	<u>-</u>	<u>(2,020,016)</u>
Balance at December 31, 2013	<u>\$ 3,618,909</u>	<u>\$ 723,152</u>	<u>\$ 81,893</u>	<u>\$ 75,533</u>	<u>\$ 8,595</u>	<u>\$ 18,529</u>	<u>\$ 6,265</u>	<u>\$ 5,694</u>	<u>\$ 4,538,570</u>
Accumulated depreciation and impairment									
Balance at January 1, 2013	\$(3,591,304)	\$(593,890)	\$(69,031)	\$(66,618)	\$(4,100)	\$(15,952)	\$(1,979)	\$(4,935)	\$(4,347,809)
Depreciation expense	(361,039)	(85,563)	(6,773)	(6,202)	(680)	(649)	(878)	(348)	(462,132)
Disposals	<u>1,668,369</u>	<u>330,008</u>	<u>8,921</u>	<u>11,040</u>	<u>-</u>	<u>519</u>	<u>1,118</u>	<u>-</u>	<u>2,019,975</u>
Balance at December 31, 2013	<u>\$(2,283,974)</u>	<u>\$(349,445)</u>	<u>\$(66,883)</u>	<u>\$(61,780)</u>	<u>\$(4,780)</u>	<u>\$(16,082)</u>	<u>\$(1,739)</u>	<u>\$(5,283)</u>	<u>\$(2,789,966)</u>
Carrying value, net, December 31, 2013	<u>\$ 1,334,935</u>	<u>\$ 373,707</u>	<u>\$ 15,010</u>	<u>\$ 13,753</u>	<u>\$ 3,815</u>	<u>\$ 2,447</u>	<u>\$ 4,526</u>	<u>\$ 411</u>	<u>\$ 1,748,604</u>
Cost									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	334,961	104,972	2,231	10,002	8,119	-	-	-	460,285
Disposals	<u>-</u>	<u>-</u>	<u>(8,450)</u>	<u>(238)</u>	<u>(5,852)</u>	<u>(145)</u>	<u>(1,755)</u>	<u>-</u>	<u>(16,440)</u>
Balance at December 31, 2014	<u>\$ 3,953,870</u>	<u>\$ 828,124</u>	<u>\$ 75,674</u>	<u>\$ 85,297</u>	<u>\$ 10,862</u>	<u>\$ 18,384</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,982,415</u>
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$(2,283,974)	\$(349,445)	\$(66,883)	\$(61,780)	\$(4,780)	\$(16,082)	\$(1,739)	\$(5,283)	\$(2,789,966)
Depreciation expense	(338,562)	(93,647)	(6,243)	(5,433)	(1,031)	(432)	(1,151)	(130)	(446,629)
Disposals	<u>-</u>	<u>-</u>	<u>8,414</u>	<u>235</u>	<u>2,384</u>	<u>145</u>	<u>1,755</u>	<u>-</u>	<u>12,933</u>
Balance at December 31, 2014	<u>\$(2,622,536)</u>	<u>\$(443,092)</u>	<u>\$(64,712)</u>	<u>\$(66,978)</u>	<u>\$(3,427)</u>	<u>\$(16,369)</u>	<u>\$(1,135)</u>	<u>\$(5,413)</u>	<u>\$(3,223,662)</u>
Carrying value, net, December 31, 2014	<u>\$ 1,331,334</u>	<u>\$ 385,032</u>	<u>\$ 10,962</u>	<u>\$ 18,319</u>	<u>\$ 7,435</u>	<u>\$ 2,015</u>	<u>\$ 3,375</u>	<u>\$ 281</u>	<u>\$ 1,758,753</u>

There were no signs of impairment losses of assets for the years ended December 31, 2014 and 2013; therefore, the Group did not assess for impairment.

Except molds and dies are depreciated on an estimated production volume basis, other property, plant and equipment are depreciated on a straight-line method over the assets' estimated useful life of the assets. The estimated useful lives are as follows:

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

13. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance, January 1, 2013	\$ 20,210
Additions	3,231
Disposals	<u>(990)</u>
Balance, December 31, 2013	<u>\$ 22,451</u>

Accumulated amortization

	(Continued)
	Computer Software
Balance, January 1, 2013	\$ (8,841)
Amortization expense	(6,713)
Disposals	<u>990</u>
Balance, December 31, 2013	<u>\$ (14,564)</u>
Carrying amounts at December 31, 2013	<u>\$ 7,887</u>

Cost

Balance, January 1, 2014	\$ 22,451
Additions	9,913
Disposals	<u>(13,640)</u>

Balance, December 31, 2014	<u>\$ 18,724</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(5,454)
Disposals	<u>13,640</u>
Balance, December 31, 2014	<u>\$ (6,378)</u>
Carrying amounts at December 31, 2014	<u>\$ 12,346</u> (Concluded)

14. OTHER NON CURRENT ASSETS

	For the Year Ended December	
	31	
	<u>2014</u>	<u>2013</u>
Refundable deposits	\$ 538,131	\$ 234,653
Prepayment for equipment	<u>35,312</u>	<u>14,389</u>
	<u>\$ 573,443</u>	<u>\$ 249,042</u>

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

15. BORROWINGS

a. Short-term borrowings

	December 31	
	<u>2014</u>	<u>2013</u>
Unsecured bank loans	<u>\$ 3,630,000</u>	<u>\$ 2,630,000</u>
Ranges of weighted average effective interest rate	0.96%-1.10%	0.96%-1.05%

b. Long-term borrowings

	December 31	
	<u>2014</u>	<u>2013</u>
Unsecured bank loans	<u>\$ -</u>	<u>\$ 1,000,000</u>
Interest rate	-	1.35%

The interest payments of the long-term borrowing are made monthly. The principal of the long-term borrowing is repayable upon maturity. The Company made early repayment in October 2014.

16. OTHER PAYABLES

	For the Year Ended December 31	
	2014	2013
Salaries and bonus	\$ 296,081	\$ 357,082
Taxes	230,936	-
Advertising and promotion fees	156,097	113,701
Others	<u>199,487</u>	<u>186,897</u>
	<u>\$ 882,601</u>	<u>\$ 657,680</u>

17. DEFERRED REVENUE

	For the Year Ended December 31	
	2014	2013
Arising from government grants	\$ _____ -	\$ <u>1,643</u>

The deferred revenue arose in respect of government grant for electric vehicles.

18. PROVISIONS

	December 31		
	2014	2013	
Current			
Inventory purchase commitment	\$ 111,978	\$ 109,812	
Warranties	<u>60,076</u>	<u>59,317</u>	
	<u>\$ 172,054</u>	<u>\$ 169,129</u>	
Non-current			
Warranties	<u>\$ 86,282</u>	<u>\$ 74,808</u>	
	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2013	\$ 81,381	\$ 148,885	\$ 230,266
Additional provisions recognized	28,431	38,088	66,519
Paid	<u> -</u>	<u>(52,848)</u>	<u>(52,848)</u>
Balance at December 31, 2013	<u>\$ 109,812</u>	<u>\$ 134,125</u>	<u>\$ 243,937</u>
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	2,166	70,933	73,099
Paid	<u> -</u>	<u>(58,700)</u>	<u>(58,700)</u>
Balance at December 31, 2014	<u>\$ 111,978</u>	<u>\$ 146,358</u>	<u>\$ 258,336</u>

The provision for loss on inventory purchase commitment represents the present obligations of which the unavoidable costs meeting the obligations under the commitment exceed the economic benefits expected to be received from the commitment.

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 2014 and 2013 was \$12,935 thousand and \$12,548 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

Employee benefit expenses in respect of defined contribution plan were included in the following line items:

	2014	2013
Selling and marketing expenses	<u>\$ 4,136</u>	<u>\$ 4,018</u>
General and administrative expenses	<u>\$ 4,175</u>	<u>\$ 4,005</u>
Research and development expenses	<u>\$ 4,624</u>	<u>\$ 4,525</u>

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. as of December 31, 2014; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31	
	2014	2013
Discount rate	1.750%	1.750%
Expected return on plan assets	2.000%	2.000%
Expected rate of salary increase	2.500%	2.500%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 5,641	\$ 6,112
Interest cost	10,038	9,476
Expected return on plan assets	(138)	(219)
Past service cost	<u>2,504</u>	<u>2,504</u>
	<u>\$ 18,045</u>	<u>\$ 17,873</u>

	For the Year Ended December 31	
	2014	2013
An analysis by functions		
Selling and marketing expenses	\$ 4,312	\$ 4,666
General and administrative expenses	8,493	8,145
Research and development expenses	<u>5,240</u>	<u>5,062</u>
	<u>\$ 18,045</u>	<u>\$ 17,873</u>

Actuarial gains recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was \$982 thousand and \$823 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$8,454 thousand and \$9,436 thousand, respectively.

The amounts included in the consolidated balance sheet arising from the Company's obligation in respect of its defined benefit plan were as follows:

	December 31	
	2014	2013
Defined benefit obligation	\$ 568,683	\$ 573,593
Fair value of plan assets	<u>(9,957)</u>	<u>(3,601)</u>
Deficit	558,726	569,992
Past service cost not yet recognized	<u>(12,399)</u>	<u>(14,903)</u>
Net liability arising from defined benefit obligation	<u>\$ 546,327</u>	<u>\$ 555,089</u>

Movements in the present value of the defined benefit obligation were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 573,593	\$ 583,133
Current service cost	5,641	6,112
Interest cost	10,038	9,476
Actuarial gains	(973)	(967)
Benefits paid - from plan assets	-	(11,169)
Benefits paid - from book-reserve	<u>(19,616)</u>	<u>(12,992)</u>
Closing defined benefit obligation	<u>\$ 568,683</u>	<u>\$ 573,593</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 3,601	\$ 8,561
Expected return on plan assets	138	219
Actuarial gains/(losses)	9	(144)
Contributions from the employer	6,209	6,134
Benefits paid	<u>-</u>	<u>(11,169)</u>
Closing fair value of plan assets	<u>\$ 9,957</u>	<u>\$ 3,601</u>

For the years ended December 31, 2014 and 2013, the actual return on plan assets were \$147 thousand and \$75 thousand, respectively.

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	December 31	
	2014	2013
Equity instruments	49.69	44.77
Cash and cash equivalents	19.12	22.86
Fixed income instruments	14.46	18.11
Debt instruments	11.92	9.37
Others	<u>4.81</u>	<u>4.89</u>
	<u>100.00</u>	<u>100.00</u>

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2013
Present value of defined benefit obligation	<u>\$ (568,683)</u>	<u>\$ (573,593)</u>	<u>\$ (583,133)</u>	<u>\$ (559,935)</u>
Fair value of the plan assets	<u>\$ 9,957</u>	<u>\$ 3,601</u>	<u>\$ 8,561</u>	<u>\$ 5,458</u>

Deficit	\$ (558,726)	\$ (569,992)	\$ (574,572)	\$ (554,477)
Experience adjustments on plan liabilities	\$ 11,615	\$ (13,778)	\$ (10,147)	\$ -
Experience adjustments on plan assets	\$ 9	\$ (144)	\$ (111)	\$ -

The Company expects to make a contribution of \$6,674 thousand, to the defined benefit plans during the annual period beginning after 2014.

20. EQUITY

a. Capital surplus

	December 31	
	2014	2013
Excess from spin-off	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

The capital surplus from long-term investment may not be used for any purpose.

b. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the legal reserve should be set aside at 10% of annual net income, less any accumulated deficit, and appropriate special reserve. The remainder of the 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.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 23, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Legal reserve	\$ 730,000	\$ 493,048		
Special reserve	(439,912)	439,912		
Cash dividend	5,841,000	3,990,000	\$19.47	\$13.30

Bonus to employees for 2013 and 2012 approved in the shareholders' meetings on June 23, 2014 and June 14, 2013, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
	<u>Cash Dividend</u>	<u>Cash Dividend</u>
Bonus to employees	\$ 31,500	\$ 30,251

There was no difference between the amounts of the bonus to employees in the shareholders' meetings in 2014 and 2013 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2013 and 2012.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guideline Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

The estimated amount of accrued employee bonus for the year ended December 31, 2014 was \$32,723 thousand. The bonuses to the Company's employees for the year ended December 31, 2014 were calculated at 0.56 % of net income net of the 10% deduction for legal reserve.

The estimated amount of accrued employee bonus for the year ended December 31, 2013 was \$31,500 thousand. The bonuses to the Company's employees for the year ended December 31, 2013 were calculated at 0.43% of net income net of the 10% deduction for legal reserve.

After the end of the year, if the actual amounts subsequently resolved by the board of directors have significant difference from the proposed amounts, the adjustments to expenses are recorded in the year of recognition. At the date of stockholders' resolution, if the amount differs from the amount resolved by the board of directors, the differences are recorded in the year of stockholders' 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 Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are

allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

As of March 23, 2015, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2014 earnings of the Company had not been approved by the board of directors and stockholders. Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

21. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
An analysis of depreciation by function		
Operating cost	\$ 432,209	\$ 446,602
Operating expenses	<u>14,420</u>	<u>15,530</u>
	<u>\$ 446,629</u>	<u>\$ 462,132</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 5,454</u>	<u>\$ 6,713</u>

b. Technical cooperation agreement

	For the Year Ended December 31	
	2014	2013
Operating cost	<u>\$ 507,681</u>	<u>\$ 460,376</u>

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.

c. Employee benefit expenses

	For the Year Ended December 31	
	2014	2013
Post-employment benefit (Note 19)		
Defined contribution plans	\$ 12,935	\$ 12,548
Defined benefit plans	<u>18,045</u>	<u>17,873</u>
	<u>30,980</u>	<u>30,421</u>
Termination benefit	3,900	3,900

Labor and health insurance	36,868	34,648
Other employee benefit	<u>547,850</u>	<u>596,424</u>
	<u>588,618</u>	<u>634,972</u>

Total employee benefit expenses	<u>\$ 619,598</u>	<u>\$ 665,393</u>
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An analysis of employee benefits expense by function

Operating cost	<u>\$ 645</u>	<u>\$ 881</u>
Operating expenses	<u>\$ 617,829</u>	<u>\$ 663,487</u>
Non-operating expenses	<u>\$ 1,124</u>	<u>\$ 1,025</u>

The number of employees for the years ended December 31, 2014 and 2013 were 428 and 422, respectively.

d. Non-operating income and expenses

	For the Year Ended December 31	
	2014	2013
Net gain or (loss) on disposal of property, plant and equipment	<u>\$ 1,131</u>	<u>\$ (15)</u>

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign currency exchange gain	\$ 816,413	\$ 409,972
Foreign currency exchange loss	<u>(528,739)</u>	<u>(18,443)</u>
Net gain	<u>\$ 287,674</u>	<u>\$ 391,529</u>

f. Gain or loss on sale of investment

	For the Year Ended December 31	
	2014	2013
Gain on sale of investment	\$ 9,705	\$ 5,211
Loss on sale of investment	<u>(3,741)</u>	<u>(1,466)</u>
Net gain	<u>\$ 5,964</u>	<u>\$ 3,745</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	\$ 2,402,152	\$ 921,450
Adjustments for prior years	1,265	4,257
Deferred tax		
In respect of the current year	<u>(900,499)</u>	<u>581,186</u>
Income tax expense recognized in profit or loss	<u>\$ 1,502,918</u>	<u>\$ 1,506,893</u>

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

	For the Year Ended December 31	
	2014	2013
Profit before tax	<u>\$ 8,026,677</u>	<u>\$ 8,806,890</u>
Income tax expense calculated at the statutory rate	\$ 1,364,535	\$ 1,497,171
Nondeductible expenses in determining taxable income	23,854	5,646
Tax-exempt income	(3,695)	(933)
Additional income tax on unappropriated earnings	116,959	752
Adjustments for prior years' tax	<u>1,265</u>	<u>4,257</u>
Income tax expense recognized in profit or loss	<u>\$ 1,502,918</u>	<u>\$ 1,506,893</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jetford Inc., respectively, are tax-exempt.

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Actuarial gains and losses on defined benefit plan	<u>\$ (167)</u>	<u>\$ (140)</u>

c. Current tax liabilities

	December 31	
	2014	2013
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 977,135</u>	<u>\$ 490,530</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,999	\$ (212)	\$ (140)	\$ 94,647
Impairment losses	78,193	(25,946)	-	52,247
Provisions for warranty	25,310	(2,509)	-	22,801
Provisions for loss on inventory purchase commitment	13,835	4,833	-	18,668
Unrealized exchange loss, net	4,985	(4,985)	-	-
Deferred revenue	<u>3,813</u>	<u>(3,813)</u>	<u>-</u>	<u>-</u>
	<u>\$ 221,135</u>	<u>\$ (32,632)</u>	<u>\$ (140)</u>	<u>\$ 188,363</u>
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 2,927,514	\$ 543,104	\$ -	\$ 3,470,618
Unrealized exchange gain, net	<u>-</u>	<u>5,450</u>	<u>-</u>	<u>5,450</u>
	<u>\$ 2,927,514</u>	<u>\$ 548,554</u>	<u>\$ -</u>	<u>\$ 3,476,068</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,647	\$ (1,323)	\$ (167)	\$ 93,157
Impairment losses	52,247	(24,612)	-	27,635
Provisions for warranty	22,801	2,080	-	24,881
Provisions for loss on inventory purchase commitment	<u>18,668</u>	<u>368</u>	<u>-</u>	<u>19,036</u>
	<u>\$ 188,363</u>	<u>\$ (23,487)</u>	<u>\$ (167)</u>	<u>\$ 164,709</u>
				(Concluded)
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of profit of associates	\$ 3,470,618	\$ (964,024)	\$ -	\$ 2,506,594
Unrealized exchange gain, net	<u>5,450</u>	<u>40,038</u>	<u>-</u>	<u>45,488</u>
	<u>\$ 3,476,068</u>	<u>\$ (923,986)</u>	<u>\$ -</u>	<u>\$ 2,552,082</u>

e. Integrated income tax

	<u>December 31</u>	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 12,607,444</u>	<u>\$ 12,213,958</u>
Imputation credit account (“ICA”)	<u>\$ 881,287</u>	<u>\$ 813,731</u>
	<u>For the Year Ended December 31</u>	
	2014	2013
	(Expected)	(Actual)
Creditable ratio for distribution	14.74%	6.67%

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessment

The tax returns through 2012 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2014	2013
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 6,523,759</u>	<u>\$ 7,299,997</u>

Weighted-average number of common stock outstanding (in thousand shares):

	<u>For the Year Ended December 31</u>	
	2014	2013
Weighted average number of common stock in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive common stock:		
Bonus issue to employees	<u>141</u>	<u>126</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,141</u>	<u>300,126</u>

The Group may settle bonuses paid to employees in cash or shares; thus, the Group assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2014 and 2013, the Company entered into the following non-cash investing activities:

	For the Year Ended December 31	
	2014	2013
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 439,933	\$ 515,061
Decrease in trade payable	<u>46,447</u>	<u>569,053</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 486,380</u>	<u>\$ 1,084,114</u>

25. OPERATING LEASE AGREEMENTS

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2014	2013
No later than 1 year	\$ 2,508	\$ 2,508
Later than 1 year and not later than 5 years	<u>3,971</u>	<u>6,479</u>
	<u>\$ 6,479</u>	<u>\$ 8,987</u>

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management believes the carrying value of the financial assets and financial liabilities not carried at fair value is approximately equal to the fair value.

2) Fair value measurements recognized in the consolidated balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	\$ 331,032	\$ -	\$ -	\$ 331,032

December 31, 2013

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	\$ 434,741	\$ -	\$ -	\$ 434,741

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

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

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

b. Categories of financial instruments

	<u>December 31</u>	
	2014	2013
<u>Financial assets</u>		
Fair value through profit or loss		
Held for trading	\$ 331,032	\$ 434,741
Loans and receivables (Note 1)	15,420,139	16,821,679
<u>Financial liabilities</u>		
Amortized cost (Note 2)	4,876,724	5,106,211

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term, notes payable, trade payables, part of other payables, and long-term loans.

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	<u>RMB Impact</u>		<u>U.S. Dollar Impact</u>		<u>Japan Yen Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Gain (loss)	\$(678,748)	\$(758,298)	\$ (15,884)	\$ (27,582)	\$ (1,434)	\$ (749)

This was mainly attributable to the exposure outstanding on RMB, U.S. dollars and Japanese Yen cash in bank, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Fair value interest rate risk		
Financial assets	\$ 12,796,831	\$ 12,742,990
Financial liabilities	500,000	3,630,000
Cash flows interest rate risk		
Financial assets	2,233,880	3,397,264
Financial liabilities	3,130,000	-

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2014 would decrease/increase by \$2,240 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2013 would decrease/increase by \$8,493 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

2) Credit risk

The Group's concentration of credit risk of 46% and 50% in total trade receivables as of December 31, 2014 and 2013, respectively, was related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash

equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2014 and 2013, the available unutilized short-term borrowing facilities were \$2,070,000 and \$370,000 thousand, respectively.

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

December 31, 2014

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$1,018,924	\$ 67,421	\$ 150,019	\$ -
Floating interest rate instrument	0.96	1,133,555	2,000,925	-	-
Fixed interest rate instrument	1.10	<u>500,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$2,652,614</u>	<u>\$ 2,068,346</u>	<u>\$ 159,019</u>	<u>\$ -</u>

December 31, 2013

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 970,731	\$ 292,470	\$ 211,544	\$ -
Fixed interest rate instrument	1.08	<u>631,466</u>	<u>2,006,287</u>	<u>10,125</u>	<u>1,008,544</u>
		<u>\$1,602,197</u>	<u>\$ 2,298,757</u>	<u>\$ 221,669</u>	<u>\$1,008,544</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

- a. Related parties

Related Party	Relationship with the Group
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
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 Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Motors Co., Ltd Honmoku Plant	Substantial related party of Nissan
Nissan Philippines Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhenzhou Nissan Automobile Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Univatin Motor Philippines, Inc. (Nissan Motor Philippines, Inc.)	Substantial related party of Yulon
Uni Calsonic Corporation	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Group
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd	Same as above
Visionary International Consulting Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Subsidiary of Hua-Chuang Automobile Information Technical Center Co., Ltd.
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
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.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.

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

1) Trading transactions

	For the Year Ended December 31	
	2014	2013
<u>Sales</u>		
Investors that have significant influence over the Group	\$ 11,212	\$ 10,309
Others	<u>32,546,046</u>	<u>30,844,618</u>
	<u>\$ 32,557,258</u>	<u>\$ 30,854,927</u>
	(Continued)	
	For the Year Ended December 31	
	2014	2013
<u>Service revenue</u>		
Investors that have significant influence over the Group	\$ 1,382	\$ 16,872

Others	<u>6,696</u>	<u>-</u>
	<u>\$ 8,078</u>	<u>\$ 16,872</u>

Other operating revenue

Investors that have significant influence over the Group	\$ 16,547	\$ 21,286
Others	<u>21,209</u>	<u>18,413</u>
	<u>\$ 37,756</u>	<u>\$ 39,699</u>

The Company designs and performs R&D of cars for Nissan. Service revenue is recognized according to the related contracts. Service revenue also arose from technical support provided by Jetford to other parties.

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

<u>For the Year Ended December 31</u>
2014 2013

Operating cost - purchase

Investors that have significant influence over the Group	\$ 27,463,115	\$ 24,825,735
Others	<u>108,182</u>	<u>40,724</u>
	<u>\$ 27,571,297</u>	<u>\$ 24,866,459</u>

Operating cost - TCA

Investors that have significant influence over the Group	<u>\$ 507,681</u>	<u>\$ 460,376</u>
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Operating cost - rental

Investors that have significant influence over the Group	\$ 13,626	\$ 12,323
Others	<u>13,296</u>	<u>16,713</u>
	<u>\$ 26,922</u>	<u>\$ 29,036</u>

The Company's TCA is the payment to investors with significant influence over the Group, with whom the Company has technical cooperation agreements.

The Company's rental expenses paid monthly are primarily comprised of customer service system, building property, car testing expenses, cars and driving service for its executives.

For the Year Ended December 31
2014 **2013**

Selling and marketing expenses

Investors that have significant influence over the Group	\$ 32,908	\$ 42,433
Others	<u>1,468,999</u>	<u>1,750,092</u>
	<u>\$ 1,501,907</u>	<u>\$ 1,792,525</u>

General and administrative expenses

Investors that have significant influence over the Group	\$ 12,211	\$ 20,486
Others	<u>183,379</u>	<u>186,468</u>
	<u>\$ 195,590</u>	<u>\$ 206,954</u>

Research and development expenses

Investors that have significant influence over the Group	\$ 100,291	\$ 89,939
Others	<u>27,922</u>	<u>26,324</u>
	<u>\$ 128,213</u>	<u>\$ 116,263</u>

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

General and administrative expenses are payment to other parties for consulting, labor dispatch and IT services.

Research and development expenses are payment to investors with significant influence over the Group for sample products, trial fee and TOBE System.

The Company bought molds from related parties (molds purchased were recorded under property, plant and equipment) as follows:

For the Year Ended December 31
2014 **2013**

Investors that have significant influence over the Group	\$ 16,624	\$ -
Others	<u>130,942</u>	<u>167,103</u>
	<u>\$ 147,566</u>	<u>\$ 167,103</u>

2) Non-operating transactions

	For the Year Ended December 31	
	2014	2013
<u>Other revenue</u>		
Investors that have significant influence over the Group	\$ 168	\$ 581
Others	<u>-</u>	<u>399</u>
	<u>\$ 168</u>	<u>\$ 980</u>
<u>Overseas business expense</u>		
Others	<u>\$ 13,344</u>	<u>\$ 15,486</u>
<u>Other losses</u>		
Investors that have significant influence over the Group	<u>\$ 31</u>	<u>\$ 32</u>

3) Receivables from related parties

	December 31	
	2014	2013
<u>Notes receivable</u>		
Others	<u>\$ 905</u>	<u>\$ 2,312</u>
<u>Trade receivables</u>		
Investors that have significant influence over the Group	\$ 14,890	\$ 40,837
Others	<u>205,243</u>	<u>245,359</u>
	<u>\$ 220,133</u>	<u>\$ 286,196</u>

4) Payables to related parties

	December 31	
	2014	2013
<u>Notes payable</u>		
Investors that have significant influence over the Group	<u>\$ -</u>	<u>\$ 1,536</u>
<u>Trade payables</u>		
Investors that have significant influence over the Group	\$ 253,986	\$ 659,922
Others	<u>311,485</u>	<u>413,170</u>
	<u>\$ 565,471</u>	<u>\$ 1,073,092</u>

5) Refundable deposits

	December 31	
	2014	2013
Investors that have significant influence over the Group	\$ 488,561	\$ 174,432
Others	<u>47,977</u>	<u>59,284</u>
	<u>\$ 536,538</u>	<u>\$ 233,716</u>

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefit	\$ 44,464	\$ 42,279
Post-employment benefit	<u>1,986</u>	<u>1,585</u>
	<u>\$ 46,450</u>	<u>\$ 43,864</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,061,218 thousand and \$2,017,040 thousand for the years ended December 31, 2014 and 2013, 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 trade receivable sold to Taiwan Acceptance Corporation were \$1,149 thousand and \$1,185 thousand for the years ended December 31, 2014 and 2013, respectively.
- 2) The Company bought other equipment for \$247 thousand and \$769 thousand from Singgual Technology Co., Ltd. for the years ended December 31, 2014 and 2013. All of them were recorded under property, plant and equipment.
- 3) The Company had sold property, plant and equipment to related-party; the related-party and amounts for the year ended December 31, 2014 are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 4,629	\$ 3,468	\$ 1,161

- 4) The Company bought computer software for \$148 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2014. All of them were recorded under computer software.
- 5) 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 \$790,155 thousand (excluding of tax) 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 2014. The Company had already paid \$681,226 thousand (recognized as property, plant, and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2014 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. 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. As of December 31, 2014, both parties did not receive a termination notice, so the contract automatically extended.

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, 2014, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	December 31	
	2014	2013
Acquisition of property, plant and equipment	\$ 234,249	\$ 289,990
Acquisition of other computer software	<u>296</u>	<u>1,331</u>
	<u>\$ 234,545</u>	<u>\$ 291,321</u>

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,042,417	0.1634 (RMB:USD)	\$ 5,390,974
RMB	1,607,224	5.0920 (RMB:NTD)	8,183,984
USD	10,037	31.65 (USD:NTD)	317,672
JPY	108,653	0.2646 (JPY:NTD)	28,749
<u>Financial liabilities</u>			
Monetary item			
JPY	278	0.2646 (JPY:NTD)	74

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,424,662	0.1640 (RMB:USD)	\$ 11,851,796
RMB	675,808	4.9040 (RMB:NTD)	3,314,163
USD	18,508	29.805 (USD:NTD)	551,636
JPY	53,715	0.2839 (JPY:NTD)	15,250
<u>Financial liabilities</u>			
Monetary items			
JPY	919	0.2839 (JPY:NTD)	261

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 1 (attached)

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

32. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

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

	Revenue		Profit Before Tax	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2014	2013	2014	2013
Vehicle segment	\$ 29,690,734	\$ 28,051,149	\$ 813,125	\$ 1,625,085
Part segment	3,435,622	3,361,299	461,811	585,791
Investment segment	-	-	6,574,929	6,243,059
Other segment	50,481	73,602	(471,847)	(360,752)
	\$ 33,176,837	\$ 31,486,050	7,378,018	8,093,183
Gain (loss) on disposal of property, plant and equipment			1,131	(15)
Interest income			398,147	348,901
Net foreign currency exchange gain			287,674	391,529
Net gain on valuation of financial assets			14,032	1,741
Net gain on disposal of investment			5,964	3,745
Interest expense			(42,689)	(16,994)
Central administration cost and directors' compensation			(15,600)	(15,200)
Profit before tax			\$ 8,026,677	\$ 8,806,890

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2014 and 2013.

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

b. Segment total assets

	December 31	
	2014	2013
Vehicle segment	\$ 1,717,969	\$ 1,710,369
Part segment	3,174	2,532
Investment segment	17,734,336	14,989,267
Other segment	37,610	35,703
	19,493,089	16,737,871
Unallocated assets	17,013,458	18,581,094
Consolidated total assets	\$ 36,506,547	\$ 35,318,965

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2014	2013
Vehicles	\$ 29,690,734	\$ 28,051,149
Parts	3,435,623	3,361,299
Others	<u>50,480</u>	<u>73,602</u>
	<u>\$ 33,176,837</u>	<u>\$ 31,486,050</u>

d. Geographical information

The Group's revenues from external customers by location of operations are detailed below.

	For the Year Ended December 31	
	2014	2013
Domestic	\$ 32,910,048	\$ 31,099,191
Overseas	<u>266,789</u>	<u>386,859</u>
	<u>\$ 33,176,837</u>	<u>\$ 31,486,050</u>

The Group's non-current assets by location of assets are detailed below.

	December 31	
	2014	2013
Domestic	\$ 2,344,542	\$ 2,005,533
Overseas	<u>-</u>	<u>-</u>
	<u>\$ 2,344,542</u>	<u>\$ 2,005,533</u>

e. Information about major customers

The Group's revenue from major customers is detailed below.

	For the Year Ended December 31	
	2014	2013
Certain customer from the vehicle segment	<u>\$ 29,532,957</u>	<u>\$ 27,903,555</u>

No other single customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(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, 2014			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u>	-	Financial assets at fair value through profit or loss	9,821	\$ 105,269	-	\$ 105,269
	Yuanta De-Bao Money Market Fund	-	Financial assets at fair value through profit or loss	7,964	80,738	-	80,738
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	2,928	40,218	-	40,218
	Fuh Hwa Global Bond	-	Financial assets at fair value through profit or loss	1,081	38,994	-	38,994
	Allianz GIBI Inv GIBI Biotech	-	Financial assets at fair value through profit or loss	1,770	21,363	-	21,363
	Yuanta Global REITs Fund	-	Financial assets at fair value through profit or loss	1,781	20,036	-	20,036
	Nomura Investment Grade USD Credit Acc	-	Financial assets at fair value through profit or loss	1,117	13,121	-	13,121
	Capital US Opportunity	-	Financial assets at fair value through profit or loss	667	11,293	-	11,293
	Nomura Global Biotech & Health Care	-	Financial assets at fair value through profit or loss				

Note: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset's net value and the redemption price as of December 31, 2014

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 2

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	Equity-method investor of the Company	Purchase	\$ 27,438,045	98	5 days after sales for parts	\$ -	\$ (132,058)	(19)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	29,532,957	89	3 days after sales for vehicles	-	90,416	30	-
	Yuan Lon Motor Co., Ltd.	Substantial related party of Yulon	Sale	366,743	1	4 days after sales for parts	-	6,088	2	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	350,365	1	3 days after sales for vehicles	-	3,154	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	315,776	1	15 days after sales for parts	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Substantial related party of Yulon	Sale	278,913	1	Immediate payment for vehicles	-	-	-	-
	Yu Tang Motor Co., Ltd.	Substantial related party of Yulon	Sale	265,793	1	15 days after sales for parts	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	254,783	1	Same as above	-	2,373	1	-
	Chen Long Co., Ltd.	Substantial related party of Yulon	Sale	242,075	1	15 days after sales for parts	-	2,728	1	-
	Yushim Motor Co., Ltd.	Subsidiary of Yulon	Sale	225,047	1	Immediate payment for vehicles	-	-	-	-
	Chi Ho Corporation	Substantial related party of Yulon	Sale	127,529	-	15 days after sales for parts	-	-	-	-
						Immediate payment for vehicles	-	-	-	-
						- Same as above	-	-	-	-

Note 1: Transaction terms are based on agreements.

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

Note 3: Balances shown here are based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 3

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables \$ 90,416 Other receivables 21,940	232.57	\$ -	-	\$ 90,416 21,940	\$ -

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE 4

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	%	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-lan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$23,800,390	\$ 6,677,910	Notes 2 and 3	
Yi-lan Overseas Investment Co., Ltd.	Jetford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$751,775	US\$220,357	Notes 2 and 3	
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\$ 85,840	US\$ 64,463	Note 2	
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	33.12	US\$ 57,024	US\$ 3,245	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\$399,697	US\$513,803	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\$ 17,765	US\$ 5,756	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\$ (700)	US\$ (3,749)	Notes 2 and 4	

Note 1: Shares of Profit include the amortization of investment premium or discount.

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

Note 3: Eliminated.

Note 4: The Company's share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES
 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 5

Number (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transaction Details			% to Total Sales or Assets (Note 5)
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	a	Notes and trade receivables – related parties	\$ 6,329	-	-

Note 1: Intercompany relationships are numbered as follows:

a. The Company is numbered as 0.

b. Subsidiaries are numbered from number 1.

Note 2: Nature of relationships is numbered as follows:

a. The Company to subsidiaries is numbered as 1.

b. Subsidiaries to the Company is numbered as 2.

c. Subsidiaries to subsidiaries is numbered as 3.

Note 3: Eliminated.

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE 6

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outflow	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	\$ 1,953,598 (US\$ 64,463)	\$ 309,794 (US\$ 10,222)	\$ 2,716,828 (US\$ 85,840)	\$ 876,623 (US\$ 28,078)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	98,336 (US\$ 3,245)	32,569 (US\$ 1,075)	1,804,815 (US\$ 57,024)	4,597,012 (US\$ 148,224)
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00	15,571,122 (US\$ 513,803)	6,228,449 (US\$ 205,521)	12,650,417 (US\$ 399,697)	10,914,750 (US\$ 355,880)
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	174,436 (US\$ 5,756)	78,496 (US\$ 2,590)	562,276 (US\$ 17,765)	-
Dong Feng Yulon Used Cars Co., Ltd. (Note 4)	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	(113,605) (US\$ -3,749)	(55,667) (US\$ -1,837)	(22,141) (US\$ -700)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$16,158,307

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

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

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

Note 4: The Company's share of losses exceeds its interest in Dong Feng Yulon Used Cars Co., Ltd. The Company recognized additional loss on constructive future obligations to settle Dong Feng Yulon Used Cars Co., Ltd.

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 2014	Fiscal year 2013	Amount	%
Current Assets	\$ 16,262,60	\$ 18,135,802	-\$ 1,872,842	-10
Long-Term Equity Investments	17,734,336	14,989,267	2,745,069	18
Fixed Assets	1,758,753	1,748,604	10,149	1
Other Assets	750,498	445,292	305,206	69
Total Assets	36,506,547	35,318,965	1,187,582	3
Current Liabilities	6,369,203	5,172,523	1,196,680	23
Other Liabilities	3,206,832	5,105,965	-1,899,133	-37
Total Liabilities	9,576,035	10,278,488	-702,453	-7
Share Capital	3,000,000	3,000,000	0	0
Capital Reserves	6,129,405	6,129,405	0	0
Retained Earnings	16,384,208	15,700,634	683,574	4
other adjustment items shareholders' equity	1,416,899	210,438	1,206,461	573
Total share holder equity	26,930,512	25,040,477	1,890,035	8

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) Other increase in assets was a result of the increased amount of refundable deposits due to operation requirement in 2014.
- (2) The increase of current liabilities was the result of short-term fund borrowing in 2014.
- (3) The reduction of total non-current liabilities was the result of repayment of long-term borrowing in 2014 and the receipt of reduction in deferred income tax from the investment proceeds of invested companies distributing dividends adopting Equity Method.
- (4) The increase in other adjustment items under shareholders' equity is mainly caused by the increased accumulative translation adjustments. (The US dollar rose against the Taiwan dollars. On December 31, 2013 the exchange rate was 29.805, while it was 31.650 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 2014	Fiscal year 2013		
Gross Revenue	\$ 33,199,661	\$ 31,500,781	1,698,880	5
Less: Sales Returns Sales Allowances	<u>22,824</u>	<u>14,731</u>	8,093	55
Net Operating Revenue	33,176,837	31,486,050	1,690,787	5
Operating Cost	<u>28,855,176</u>	<u>26,037,200</u>	2,817,976	11
Operating margin	4,321,661	5,448,850	-1,127,189	-21
Operating Expenses	<u>3,535,432</u>	<u>3,616,671</u>	-81,239	-2
Operating Profit	786,229	1,832,179	-1,045,950	-57
Non-Operating Revenue and Gain	7,304,536	7,019,660	284,876	4
Non-Operating Expense and Loss	<u>64,088</u>	<u>44,949</u>	19,139	43
Income Before Income Tax	8,026,677	8,806,890	-780,213	-9
Income Tax Expense	<u>1,502,918</u>	<u>1,506,893</u>	-3,975	0
Net Income	<u>\$ 6,523,759</u>	<u>\$ 7,299,997</u>	-776,238	-11

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 reduction in gross profit and operating revenue was the result of better sales in models with lower gross profits and hence the reduction in gross profits.
- (2) The increase of non-operating expenditure was the result of longer duration of borrowing in this period and higher interest expense.

(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	-1,127,189	5,219	-12,342	-1,265,499	129,140
Content	1. Favorable price-variance was the result of price increase for components in 2014. 2. Unfavorable variance was the result of increase in price for finished car import in 2014. 3. Unfavorable sales portfolio variance was the result of increased sales in finished products with low margin in 2014. 4. Favorable volume difference occurred mainly because of increase in sales volume of cars in 2014. 5. Service revenue decreased NT\$ 8,749,000 in 2014 due to the decrease of revenue of outsourcing and R&D from Nissan and Zhengzhou Nissan. 6. Revenue from sale of steel flats, certificating and testing decreased NT\$14,328,000 in 2014.				

3. Cash Flow Analysis

(1) Cash Flow Analysis for the Recent 2 years

Item	Fiscal Year		Increase (Decrease) Ratio (%)
	Fiscal year 2014	Fiscal year 2013	
Cash Flow Ratio (%)	-9	27	-133
Cash Flow Adequacy Ratio (%)	69	108	-36
Cash Reinvestment Ratio (%)	-19	-8	-137
Difference Analysis and Description of Changes in Increase and Decrease Ratio: The decrease of Cash flow is mainly caused by a net cash outflow from operating activities and the increase of loan in 2014. The decrease of Cash flow adequacy ratio is mainly caused by more dividends paid in 2014.			

(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
12,831,865	-45,687	-3,286,315	9,499,863	-	-

4. Influence on Financial Condition caused by Prominent Capital Expenditures in fiscal year 2014

(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 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017
Model Clamp Lifting Tool	Self-owned fund	2017.12.31	2,895,614	1,064,885	515,061	439,933	630,717	149,120	95,898
Other equipment	Self-owned fund	2017.12.31	162,744	0	24,685	20,352	95,121	17,296	5,290
MIS equipment	Self-owned fund	2017.12.31	38,190	5,346	3,231	9,913	19,700	0	0

(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. Investment Policy in Fiscal Year 2014, 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	\$ 6,679,910	Growing Status of China Car Market	Nil	Nil
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	100	USD220,357	Growing Status of China Car Market	Nil	Nil
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	16.55	USD 10 ,222	Growing Status of China Car Market	Nil	Nil
	Guangzhou Aeolus Automobile Co., Ltd.	40	USD205,521	Growing Status of China Car Market	Nil	Nil
	Aeolus Automobile Co., Ltd.	33.12	USD 1,075	Growing Status of China Car Market	Nil	Nil
	Shenzhen Lan You Technology Co., Ltd.	45	USD 2,590	Growing Status of China Car Market	Nil	Nil
	Dong Feng Yulon Used Cars Co., Ltd.	49	-USD1,837	Change and reduction in operation.	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 2014.

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

Please refer to : V · Highlights of Operations—1.Business Scope —(3)Technology, Research and Development (R&D)

(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 anticipated and possible risks of merge and acquisition:

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

(8) Benefit anticipated 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.

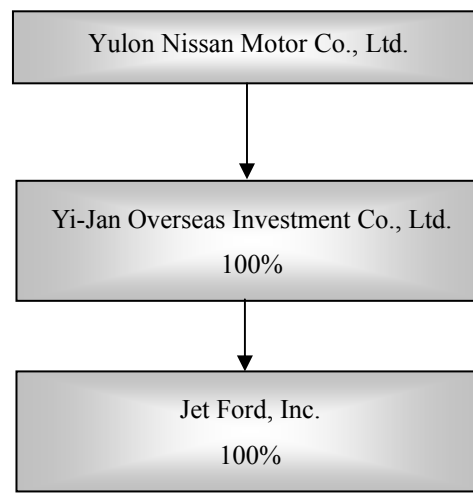
7. Other Important Items: Nil

VIII、Special Noted Items

1. Affiliates information

(1) Affiliates Consolidated Operation Statement

1. Organization Chart of Yulon Motor's Affiliated Companies



2. Basic information of affiliates

Dec. 31, 2014

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, 2014

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, 2014

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	23,800,390	0	23,800,390	6,678,047	6,677,909	6,677,910	78.57
22270002	Jet Ford, Inc.	2,347,251	23,822,132	28,453	23,793,679	6,593,641	6,571,987	6,678,051	93.04

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

The company and its subordinates in fiscal year 2014 (from Jan 1 2014 to December 31 2014) should, in accordance with the “Regulations of Preparing the Affiliates Combined Operation Report Combined Financial Report and Relevant Reports”, include and prepare the Affiliates Combined Financial Report of the company, and according to regulations of Communique’ No.7 of the financial Accounting Criteria, which is “Combined Financial Report”, include and prepare the mother/subordinates combined financial report of the company are the same, and the Affiliates Combined Financial Report relevant information that was exposed In the above said mother/subordinates combined financial report were already exposed, and shall not make another affiliates combined financial report.

Very truly yours

Company Name: Yulon Nissan Motor Co., Ltd.

Responsible person: Kenneth K. T. Yen

March 23, 2015

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

- 2. Fiscal Year 2014 and prior to the publication date of the annual report, The Status of Issuing Private Placement Securities: Nil**
- 3. Fiscal Year 2014 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 2014 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

QX50 3.7



Q50 Sedan
3.5 Hybrid / 2.0 Turbo



QX60
2.5 Hybrid / 3.5



Q60 Coupe 3.7



QX70 3.7



Q70 Sedan 3.7 / 2.5



NISSAN 車系

370Z 3.7



GT-R 3.8



MURANO 3.5



JUKE 1.6



TEANA 2.5/2.0



X-TRAIL 2.5/2.0



SUPER SENTRA 1.8



BIG TIIDA 1.6



SENTRA aero 1.8



TIIDA 1.6



LIVINA 1.6



MARCH 1.5



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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