Yulon Nissan Motor Company, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

March 20, 2013

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

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

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loan (Note 12)	$ 200,000	1	$ -	-
Accounts payable	147,796	1	144,530	1
Notes and accounts payable - related parties (Note 20)	1,899,807	7	1,570,472	6
Income tax payable (Notes 2 and 16)	164,607	1	213,240	1
Accrued expenses (Note 13)	546,724	2	560,057	2
Warranty (Note 2)	68,567	-	53,755	-
Other current liabilities	120,461	-	156,516	1
Total current liabilities	3,147,962	12	2,698,570	11
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	492,980	2	469,180	2
Deferred tax liabilities, net (Notes 2 and 16)	2,751,941	10	1,836,821	8
Warranty (Note 2)	80,318	-	87,599	-
Total other liabilities	3,325,239	12	2,393,600	10
Total liabilities	6,473,201	24	5,092,170	21
STOCKHOLDERS' EQUITY				
Capital stock - NT$10 par value; authorized - 600,000 thousand shares; issued - 300,000 thousand shares	3,000,000	11	3,000,000	12
Capital surplus				
Excess from spin-off	5,986,507	22	5,986,507	24
Gains on long-term investments	142,898	1	2,461	-
Total capital surplus	6,129,405	23	5,988,968	24
Retained earnings				
Legal reserve	1,764,839	7	1,381,683	6
Special reserve	379,840	1	379,840	1
Unappropriated earnings	9,836,160	36	8,348,839	34
Total retained earnings	11,980,839	44	10,110,362	41
Cumulative translation adjustments	(439,912)	(2)	464,154	2
Total stockholders' equity	20,670,332	76	19,563,484	79
TOTAL	$ 27,143,533	100	$ 24,655,654	100

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

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

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 6,090,781	21	$ 4,597,907	14
INCOME TAX EXPENSE (Notes 2 and 16)	1,160,304	4	766,342	2
NET INCOME	$ 4,930,477	17	$ 3,831,565	12

	2012		2011	
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 20.30	$ 16.43	$ 15.33	$ 12.77
Diluted	$ 20.29	$ 16.43	$ 15.30	$ 12.75

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 14)			Retained Earnings (Notes 2 and 14)				Cumulative Translation Adjustments (Notes 2 and 14)	Total Stockholders' Equity
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		
BALANCE, JANUARY 1, 2011	300,000	$ 3,000,000	$ 5,986,507	$ 2,461	$ 5,988,968	$ 1,093,293	$ 379,840	$ 6,485,664	$ 7,958,797	$ 217,579	$ 17,165,344
Appropriation of 2010 earnings											
Legal reserve	-	-	-	-	-	288,390	-	(288,390)	-	-	-
Cash dividend - $5.6 per share	-	-	-	-	-	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
Net income in 2011	-	-	-	-	-	-	-	3,831,565	3,831,565	-	3,831,565
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	246,575	246,575
BALANCE, DECEMBER 31, 2011	300,000	3,000,000	5,986,507	2,461	5,988,968	1,381,683	379,840	8,348,839	10,110,362	464,154	19,563,484
Appropriation of 2011 earnings											
Legal reserve	-	-	-	-	-	383,156	-	(383,156)	-	-	-
Cash dividend - $10.2 per share	-	-	-	-	-	-	-	(3,060,000)	(3,060,000)	-	(3,060,000)
Adjustment arising from changes in percentage of ownership in investees	-	-	-	140,437	140,437	-	-	-	-	-	140,437
Net income in 2012	-	-	-	-	-	-	-	4,930,477	4,930,477	-	4,930,477
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(904,066)	(904,066)
BALANCE, DECEMBER 31, 2012	300,000	$ 3,000,000	$ 5,986,507	$ 142,898	$ 6,129,405	$ 1,764,839	$ 379,840	$ 9,836,160	$ 11,980,839	$ (439,912)	$ 20,670,332

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

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

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

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

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

1. ORGANIZATION AND OPERATIONS

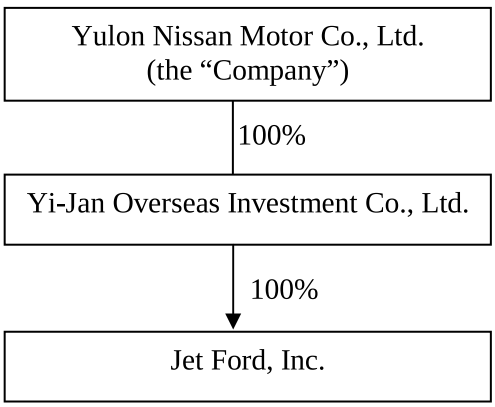
Yulon Nissan Motor Company, Ltd. (the "Company") is a business on research and development of vehicles and sales of vehicles. The Company started its operations in November 2003, after Yulon Motor Co., Ltd. ("Yulon") transferred its sales, research and development businesses to the Company in October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

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

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

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

As of December 31, 2012, the investment relationship between the Company and its subsidiaries and percentages of ownership were as follows:



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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Basis of Consolidated Financial Statements

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

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

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

Foreign-currency Transactions

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

a. Long-term equity investments are treated as cumulative translation adjustment under stockholders' equity; and

b. Other assets and liabilities are treated as credits or charges to current income.

Accounting Estimates

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalent

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

Financial Instruments at Fair Value Through Profit or Loss

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

Financial instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value with the changes in fair value recognized in earnings. Cash dividends received (including those received in the year of investments) are recognized as income for the year. All regular way purchases or sales of financial assets is recognized and derecognized on a settlement date basis.

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

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable’s original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account.

Inventories

Inventories are stated at the lower of weighted-average cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Cost of sales includes the cost of inventories sold, warranty cost, loss on inventory purchase commitment, write-downs of inventories to net realizable value and any reversal of write-downs.

Long-term Equity Investments

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

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

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

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

Property, Plant and Equipment

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

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

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

Deferred Charges

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

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

Warranty

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

Pensions

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

Income Tax

The Group applies the intra-year and inter-year allocation methods to its income tax. Under this method, deferred income tax is recognized the tax effects of temporary differences, unused loss carryforward and unused investment tax credits A valuation allowance is recognized if available evidence indicates it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

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

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Revenue Recognition

Revenue from sales of goods is recognized when the Company and subsidiaries has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or realizable.
Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

3. REASON AND EFFECT OF THE CHANGES IN ACCOUNTING PRINCIPLE

Accounting for Financial Instruments

On January 1, 2011, the Company and subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision is loans and receivables originated by the Company are now covered by SFAS No. 34.

Disclosure of Operating Segments

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

4. CASH AND CASH EQUIVALENTS

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

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	2011
Financial assets held for trading		
Mutual funds	$ -	$ 2,262,001

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

6. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2012	2011
Notes receivable	$ -	$ 430
Accounts receivable	36,554	21,987
	$ 36,554	$ 22,417

7. OTHER FINANCIAL ASSETS

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

8. INVENTORIES

	December 31	
	2012	2011
Parts	$ 1,547	$ 1,793

The cost of inventories recognized as cost of sales in 2012 was $25,105,630 thousand, which included warranty cost of $57,835 thousand and reversal of loss on inventory purchase commitment of $42,458 thousand. The cost of inventories recognized as cost of sales in 2011 was $27,380,203 thousand, which included warranty cost of $82,211 thousand and loss on inventory purchase commitment of $57,785 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2012		2011	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Equity method				
Guangzhou Aeolus Automobile Co., Ltd.	$ 6,597,339	40.00	$ 5,958,828	40.00
Aeolus Automobile Co., Ltd.	1,864,086	33.12	699,457	25.00
Aeolus Xiangyang Automobile Co., Ltd.	1,524,037	16.55	2,299,325	16.55
Shenzhen Lan You Technology Co., Ltd.	356,640	45.00	318,985	45.00
Dong Feng Yulon Used Cars Co., Ltd.	37,864	49.00	34,202	49.00
	$ 10,379,966		$ 9,310,797	

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

Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.) sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. for RMB49,000 thousand (NT$223,915 thousand) in November 2011 and the gain on the sale of investments was NT$53,620 thousand. The shares were reported in other financial assets.

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

The Group indirectly owns the following companies:

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

11. DEFERRED CHARGES

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

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

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

12. SHORT-TERM LOANS

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

13. ACCRUED EXPENSES

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

14. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

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

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

c. Appropriation of earnings and dividend policy

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

1) 0.1% to 5% as bonus to employees.

2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

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

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2012 was calculated at 0.76% of net income net of the 10% deduction for legal reserve.

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

If the estimated bonus is different from the proposal for the distributions of earnings proposed by the board of directors, the difference will be adjusted to the expense of current year. If the estimated bonus is different from the amount approved by the stockholders, the difference will be recognized as expense in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

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

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

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

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

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

As of March 20, 2013, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2012 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2012 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

d. As of December 31, 2012, the changes in cumulative translation adjustments were as follows:

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

15. TECHNICAL COOPERATION AGREEMENT

The Company has a technical cooperation agreement (the "TCA") with Nissan. The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to $449,129 thousand in 2012 and $447,442 thousand in 2011, were recorded under cost of sales.

16. INCOME TAX

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

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

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

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

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

b. Income tax expense consisted of the following:

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

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

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

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

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

	December 31	
	2012	**2011**
Balance of imputation credit account ("ICA")	$ 344,571	$ 219,689

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

The credit available for allocation to the Company stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2012 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

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

17. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan were $12,335 thousand and $11,240 thousand in 2012 and 2011, respectively. Accrued pension liabilities under defined contribution plan amounted to $2,127 thousand and $1,021 thousand as of December 31, 2012 and 2011, respectively.

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

As of December 31, 2012, the subsidiaries of the Company had no pension plan for employees.

The status of the defined benefit pension plan as of and for the years ended December 31, 2012 and 2011 is summarized as follows:

a. Net pension cost was as follows:

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

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

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

	December 31	
	2012	**2011**
c. Vested benefits	$ 313,472	$ 276,202
d. Actuarial assumptions		
Discount rate	1.875%	2.000%
Rate of salary increase	2.500%	2.500%
Expected rate of return on plan assets	1.875%	2.000%

e. Contributions and payments

	2012	**2011**
Contributions	$ 6,065	$ 5,855
Payments	$ 3,109	$ 6,187

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

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

19. EARNINGS PER SHARE

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

	Amounts (Numerator)			EPS (Dollars)	
	Income Before Income Tax	Net Income	Shares (Denominator) (Thousands)	Income Before Income Tax	Net Income
2012					
Basic EPS					
Income for the period attributable to common stockholders	$ 6,090,774	$ 4,930,477	300,000	$ 20.30	$ 16.43
Effect of dilutive potential common stock					
Bonus to employees	-	-	153		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 6,090,774	$ 4,930,477	300,153	$ 20.29	$ 16.43
2011					
Basic EPS					
Income for the period attributable to common stockholders	$ 4,597,907	$ 3,831,565	300,000	$ 15.33	$ 12.77
Effect of dilutive potential common stock					
Bonus to employees	-	-	496		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	$ 4,597,907	$ 3,831,565	300,496	$ 15.30	$ 12.75

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

20. RELATED-PARTY TRANSACTIONS

The Group had business transactions with the following related parties:

a. Related parties

Related Party	Relationship with the Company
Nissan Motor Corporation ("Nissan")	Parent company
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan S.A. (Pty) Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above

(Continued)

Related Party	Relationship with the Company
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Asia Pacific Pte. Ltd.	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Shanghai Co., Ltd.	Same as above
Nissan Vietnam Co., Ltd.	Equity-method investee of Nissan
Nissan Motors Co., Ltd. Honmoku Plant	Same as above
Ashok Leyland Nissan Vehicles Ltd.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Dongfeng Yi Jin Co., Ltd.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yu Ching Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Nissan Motor Philippines, Inc. (NMPI)	Same as above
Singgual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinboum Travel Service Co., Ltd.	Same as above (merged with Andes Travel Service Ltd. in September 2011)
Uni Calsonic Corporation	Equity-method investee of Yulon
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Hui-Lian Motor Co.	Same as above
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Chu-Miao Scupio Co., Ltd.	Same as above
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
San Long Industrial Co., Ltd.	Equity-method investee of Y-teks, Co.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Taiway, Ltd.	Equity-method investee of Yulon
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Kian Shen Corporation	Substantial related party of Yulon
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.

(Concluded)

b. The prices and payment terms for related-party transactions were based on agreements.

c. Significant transactions with related parties are summarized as follows:

	2012		2011	
	Amount	% to Total	Amount	% to Total
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	$ 25,104,177	87	$ 28,208,372	88
Yuan Lon Motor Co., Ltd.	349,684	1	343,044	1
Yu Chang Motor Co., Ltd.	330,144	1	323,246	1
Yu Sing Motor Co., Ltd.	289,889	1	283,632	1
Chi Ho Corporation	250,298	1	327,618	1
Hui-Lian Motor Co., Ltd.	244,235	1	214,065	1
Yushin Motor Co., Ltd.	242,224	1	217,673	1
Empower Motor Co., Ltd.	237,191	1	278,924	1
Yu Tang Motor Co., Ltd.	231,121	1	211,013	-
Chen Long Co., Ltd.	225,047	1	217,136	1
Nissan Motor Egypt S.A.E.	65,573	-	154,768	-
Others	655,001	1	747,465	2
	$ 28,224,584	97	$ 31,526,956	98
2) Operating revenue - service revenue				
Dongfeng Nissan Passenger Vehicle Co.	$ 50,824	76	$ -	-
Nissan	16,271	24	11,354	100
	$ 67,095	100	$ 11,354	100

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

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

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

	2012		2011	
	Amount	**% to Total**	**Amount**	**% to Total**
4) Operating cost - purchase				
Yulon	$ 23,643,252	98	$ 26,193,323	99
Nissan	129,681	1	13,261	-
Others	62,905	-	60,292	-
	$ 23,835,838	99	$ 26,266,876	99
5) Operating cost - Technical Cooperation Agreement ("TCA")				
Nissan	$ 449,129	100	$ 447,442	100
6) Operating expenses - rental				
Yulon	$ 37,889	44	$ 21,788	31
Ka-Plus Automobile Leasing Co., Ltd.	7,781	9	7,662	11
Sin Etke Technology Co., Ltd.	2,484	3	2,916	4
Hsieh Kuan Manpower Service Co., Ltd.	2,226	3	2,572	4
Tang Li Enterprise Co., Ltd.	1,338	2	1,273	2
Others	64	-	250	-
	$ 51,782	61	$ 36,461	52

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

	2012		2011	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Yu Chang Motor Co., Ltd.	$ 193,295	9	$ 211,103	8
Yu Sing Motor Co., Ltd.	188,231	9	220,941	8
Yuan Lon Motor Co., Ltd.	149,760	7	178,923	6
Empower Motor Co., Ltd.	138,519	6	132,901	5
Hui-Lian Motor Co., Ltd.	131,396	6	126,312	5
Yushin Motor Co., Ltd.	128,250	6	131,688	5
Chen Long Co., Ltd.	117,341	5	137,115	5
Yu Tang Motor Co., Ltd.	108,946	5	112,675	4
Chi Ho Corporation	85,140	4	117,984	4
Others	154,495	7	422,117	16
	$ 1,395,373	64	$ 1,791,759	66
8) Operating expenses - general and administrative expense				
Yulon Management Co., Ltd.	$ 174,600	44	$ 174,677	40
Chan Yun Technology Co., Ltd.	2,122	1	1,848	-
Tokio Marine Newa Insurance Co., Ltd.	2,109	-	1,023	-
Others	7,310	2	8,819	2
	$ 186,141	47	$ 186,367	42

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

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

The Company paid for sample products and trial fee to Yulon. The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expenses for TOBE System.

	2012		2011	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income - gain on sale of molds				
Ashok Leyland Nissan Vehicles Ltd.	$ -	-	$ 150,483	100

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

	2012		2011	
	Amount	% to Total	Amount	% to Total
11) Nonoperating income - others				
Yu Chang Motor Co., Ltd.	$ -	-	$ 3,716	7
Yu Sing Motor Co., Ltd.	-	-	2,825	5
Yuan Lon Motor Co., Ltd.	-	-	2,681	5
Hua-Chuang Automobile Information Technical Center Co., Ltd.	-	-	2,537	4
Others	-	-	15,000	27
	$ -	-	$ 26,759	48
12) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	$ 14,876	41	$ 22,238	45
Sinjang Co., Ltd.	6,828	19	7,980	16
Visionary International Consulting Co., Ltd.	4,045	11	2,644	5
Others	2,627	7	3,212	7
	$ 28,376	78	$ 36,074	73
13) Nonoperating expenses and losses - others				
Kian Shen Corporation	$ 226	4	$ -	-
Others	28	-	934	14
	$ 254	4	$ 934	14

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
14) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	$ 380,971	66	$ 168,888	32
Dongfeng Nissan Passenger Vehicle Co.	50,798	9	-	-
Nissan Motor Egypt S.A.E.	19,920	3	34,795	7
Yulon.	17,389	3	8,291	2
Others	111,874	19	313,769	59
	$ 580,952	100	$ 525,743	100

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
15) Refundable deposits				
Ka-Plus Automobile Leasing Co., Ltd.	$ 58,560	75	$ -	-
Yulon	17,600	23	17,600	89
NMPI	-	-	57	1
	$ 76,160	98	$ 17,657	90
16) Notes and accounts payable - related parties				
Yulon	$ 1,006,585	53	$ 1,106,477	70
Diamond Leasing Service Co., Ltd.	206,020	11	-	-
Nissan	193,192	10	99,227	6
Dong Feng Nissan Passenger Vehicle Co.	125,456	7	-	-
Taiwan Acceptance Corporation	49,780	3	60,565	4
Others	318,774	16	304,203	20
	$ 1,899,807	100	$ 1,570,472	100

17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to $2,079,532 thousand and $2,026,390 thousand in 2012 and 2011, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company’s interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were $1,270 thousand and $1,188 thousand in 2012 and 2011, respectively.

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

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

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

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

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is $686,694 thousand and the installment payments will be disbursed according to the progress under the contract schedule. The types of car parts have not been produced until the end of December 2012. The Company had already paid $267,131 thousand (recognized as deferred charges). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year the amount of $2.6 dollars for every ten thousand of the accumulated amount paid for molds in prior year.

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

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

22) Compensation of directors, supervisors and management personnel:

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

21. SIGNIFICANT COMMITMENTS

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

a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of December 31, 2012, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2012, no buy-back of vehicles has occurred.

c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the next five years and after are as follows:

Year	Rental (Thousands)
2013	$ 2,508
2014	2,508
2015	2,508
2016	2,508
2017 and after	1,463

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

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

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

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

1) For financial instruments, except those mentioned in (2), (3) and (4) below, the carrying values reported in the balance sheet approximate their fair values.

2) The financial assets at fair value through profit or loss are estimated at market quotations.

3) Fair value of long-term equity investments is based on net asset value of the investment.

4) For refundable deposits, the variance between the amounts to be actually received and the carrying values is very minimal; thus, the carrying values are used as the basis for fair value estimation

c. Fair value of financial instruments was as follows:

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

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

e. Information about financial risks

1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

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

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary item						
RMB	$ 2,049,955	4.6171	$ 9,464,847	$ 1,134,878	4.8049	$ 5,452,939
U.S. dollars	16,733	29.04	485,916	4,691	30.275	142,014
Japan Yen	193,397	0.3364	65,059	238,980	0.3906	93,346
Philippine pesos	-	-	-	2,960	0.7078	2,095

(Continued)

	December 31					
	2012			2011		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Long-term equity investments						
U.S. dollars	$ 356,261	29.04	$ 10,345,825	$ 304,813	30.275	$ 9,228,219
Financial liabilities						
Monetary item						
Japan Yen	2,092	0.3364	704	29,158	0.3906	11,389
U.S. dollars	-	-	-	26,697	30.275	808,247
Philippine pesos	-	-	-	426	0.7078	302

(Concluded)

24. ADDITIONAL DISCLOSURES

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

a. Financing provided: None

b. Endorsement/guarantee provided: None

c. Marketable securities held: Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

e. Acquisition of individual real estates at costs of at least NT$100 million or 20% of the paid-in capital: None

f. Disposal of individual real estates at prices of at least NT$100 million or 20% of the paid-in capital: None

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)

j. Intercompany relationships and significant transactions: Table 6 (attached)

k. Derivative financial transactions: None

l. Investment in Mainland China

   1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 7 (attached)

2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:

a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None

b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None

c) Gain (loss) on and amounts of asset: None

d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None

e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None

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

25. OPERATING SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales
Part segment: Parts sales
Investment segment: Overseas business activities
Other segment: Other operating activities other than the above segments

a. Segment revenues, results, and assets

Item	Year Ended December 31, 2012						
	Vehicle Segment	Parts Segment	Investment Segment	Other Segment	Adjustment	Unappropri-ated Amounts	Total
Revenue from external customers	$ 25,563,983	$ 3,445,959	$ 5,280,899	$ 124,588	$ (5,280,899)	$	$ 29,134,530
Segment income	$ 465,627	$ 609,754	$ 5,244,440	$ (229,040)	$	$	$ 6,090,781
Segment assets	$ 1,580,201	$ 2,678	$ 10,379,966	$ 32,022	$	$ 15,148,666	$ 27,143,533

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

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

b. Revenue by major products and services

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

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

c. Geographical information

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

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

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

	December 31	
	2012	2011
Domestic	$ 1,696,789	$ 1,496,789
Foreign	-	57
	$ 1,696,789	$ 1,496,846

d. Information about major customers

Sales revenue from major customers was as follows:

	Year Ended December 31	
	2012	2011
Customer of vehicle segment	$ 25,104,177	$ 28,208,372

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

26. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and IFRICs approved by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Chao Yen Liang, Vice Manager of Finance. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
Assessment stage (from August 1, 2009 to December 31, 2011):		
1) Establish IFRS conversion project team	Accounting, IT and internal audit	Completed
2) Develop IFRS conversion roadmap and timetable	Accounting	Completed
3) Complete identification of consolidated entity under IFRS	Accounting	Completed
4) Complete the identification of the major differences between the existing generally accepted accounting standards in Taiwan, Republic of China and IFRS	Accounting	Completed
5) Complete the analysis of modifications needed in the IT systems and structure	Accounting and IT	Completed
6) Complete the analysis of IFRS 1, First-time Adoption of International Financial Reporting Standards.	Accounting	Completed
7) Complete the analysis of modification needed in internal controls	Accounting and internal audit	Completed
Preparation stage (from January 1, 2011 to December 31, 2011):		
1) Determine the Company's IFRSs accounting policy	Accounting	Completed
2) Determine the exemptions allowed under IFRS 1, First-time Adoption of International Financial Reporting Standards	Accounting	Completed
Implementation stage (from January 1, 2012 to December 31, 2012):		
1) Complete the Company's opening IFRS financial statement	Accounting	Completed
2) Complete the establishment of comparative financial information for 2012 under IFRSs	Accounting	Completed
3) Complete the establishment of related internal controls (including financial reporting process and modification of IT system)	Accounting, IT and internal audit	Completed

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

Exemptions

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

1) Cumulative translation adjustments

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

2) Employee benefits

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

Differences in Accounting Policies

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

Accounting Issues	**Description of Differences**
Classification of deferred tax assets/liabilities	Under ROC GAAP, classification as current and noncurrent is based on the classification of the underlying asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent on the basis of expected length of time before it is realized or settled.
	After converting to IFRS, the classification of deferred income tax is always noncurrent. If an enterprise does not have a legally recognized right to offset the tax assets and tax liabilities, the amounts recognized in deferred tax assets should not offset with deferred tax liabilities under IFRS.
Reclassification of deferred charges	Under ROC GAAP, deferred charges are listed under other assets.
	After converting to IFRS, an enterprise should reclassify deferred charges to property, plant and equipment and intangible assets based on their nature.

(Continued)

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

(Concluded)

c. Effects of conversion from ROC GAAP to IFRS

1) Reconciliation of January 1, 2012 balance sheet items

	ROC GAAP	Difference	IFRSs	Note
Current assets	$ 13,848,011	$ (34,168)	$ 13,813,843	a), f)
Long-term investments	9,310,797	-	9,310,797	
Property, plant and equipment	37,166	1,427,233	1,464,399	e)
Intangible assets	-	12,740	12,740	e)
Other assets	1,459,680	(1,253,376)	206,304	a), b), c), e)
Total assets	$ 24,655,654	$ 152,429	$ 24,808,083	
Current liabilities	$ 2,698,570	$ -	$ 2,698,570	
Other liabilities	2,393,600	207,546	2,601,146	b), c)
Total liabilities	$ 5,092,170	$ 207,546	$ 5,299,716	
Capital stock	$ 3,000,000	$ -	$ 3,000,000	
Capital surplus	5,988,968	-	5,988,968	
Retained earnings	10,110,362	409,037	10,519,399	c), d)
Cumulative translation adjustments	464,154	(464,154)	-	d)
Stockholders' equity	$ 19,563,484	$ (55,117)	$ 19,508,367	

a) Deferred tax assets - current of $34,168 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRS.

b) After converting to IFRS, if an entity does not have a legally recognized right to offset tax assets and tax liabilities, the amounts recognized in deferred tax assets should not be offset with deferred tax liabilities under IFRS. Deferred tax liabilities and deferred tax assets which have been offset with each other under ROC GAAP were reversed; thus, deferred tax liabilities - noncurrent and deferred tax assets - noncurrent both increased by $141,140 thousand at the same time.

c) i. Retirement benefit obligation under IFRS increased by $66,406 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of $66,406 thousand and decreased retained earnings by $66,406 thousand.

ii. Deferred tax assets - noncurrent recognized on the above retirement benefit obligation increased by $11,289 thousand and retained earnings increased by $11,289 thousand, accordingly.

d) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by $464,154 thousand and retained earnings increased by $464,154 thousand on the date of transition to IFRS.

e) Molds and dies of $1,427,233 thousand listed in deferred charges under other assets were reclassified as property, plant and equipment based on their nature. Computer software of $12,740 thousand was reclassified as intangible assets.

f) As of January 1, 2012, to comply with the presentation of financial statements under IFRS, the Group's time deposits of $4,592,825 thousand with periods of over three months were reclassified from bank deposits under current assets to other financial assets under current assets because there is fixed or determinable payments that are not quoted in an active market.

2) Reconciliation of December 31, 2012 balance sheet items

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

a) Deferred tax assets - current of $34,289 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRS.

b) After converting to IFRS, if an entity does not have a legally recognized right to offset tax assets and tax liabilities, the amounts recognized in deferred tax assets should not be offset with deferred tax liabilities under IFRS. Deferred tax liabilities and deferred tax assets which have been offset with each other under ROC GAAP were reversed; thus, deferred tax liabilities - noncurrent and deferred tax assets - noncurrent both increased by $175,573 thousand at the same time

c) i. Retirement benefit obligation under IFRS increased by $66,312 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of $66,312 thousand and decreased retained earnings by $66,312 thousand, of which $10,259 thousand of actuarial losses in 2012 and related income tax of $1,744 thousand were immediately recognized in other comprehensive income and retained earnings in the statement of changes in equity.

ii. Deferred tax assets - noncurrent recognized on the above retirement benefit obligation increased by $11,273 thousand and retained earnings increased by $11,273 thousand, accordingly.

d) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by $464,154 thousand, and retained earnings increased by $464,154 thousand on the date of transition to IFRS. As of December 31, 2012, the difference from conversion of financial statements of all business abroad of $(904,066) thousand was recognized under other comprehensive income.

e) Molds and dies of $1,640,184 thousand listed in deferred charges under other assets were reclassified as property, plant and equipment based on their nature. Computer software of $11,369 thousand was reclassified as intangible assets.

f) As of December 31, 2012, to comply with the presentation of financial statements under IFRS, the Group's time deposits of $5,579,666 thousand with periods of over three months were reclassified from bank deposits under current assets to other financial assets under current assets because there is fixed or determinable payments that are not quoted in an active market.

3) Reconciliation of 2012 comprehensive income statement items

	ROC GAAP	Difference	IFRSs	Note
Operating revenues	$ 29,134,530	$ -	$ 29,134,530	
Operating cost	(25,105,630)	(357,963)	(25,463,593)	d)
Gross profit	4,028,900	(357,963)	3,670,937	
Operating expenses	(3,169,082)	10,353	(3,158,729)	a)
Operating income	859,818	(347,610)	512,208	
Nonoperating gains and losses	5,230,963	357,963	5,588,926	d)
Income before income tax	6,090,781	10,353	6,101,134	
Income tax expense	(1,160,304)	(1,760)	(1,162,064)	b)
Net income	$ 4,930,477	$ 8,593	4,939,070	
Other comprehensive income				
Actuarial losses of defined benefit plan			(10,259)	c)
Difference from translation of financial statements of foreign business			(904,066)	e)
Income tax gains to other comprehensive income			1,744	c)
Comprehensive income			$ 4,026,489	

a) Retirement benefit obligation of $10,353 thousand recognized according to IFRS decreased employee benefit expenses by the same amount.

b) Decrease of employee benefit expenses resulted in increase of related tax expense of $1,760 thousand.

c) Retirement benefit obligation under IFRS increased by $66,312 thousand compared to the accrued pension liabilities under ROC GAAP. Therefore, the Company recognized retirement benefit obligation of $66,312 thousand and decreased retained earnings by $66,312 thousand, of which $10,259 thousand of actuarial losses in 2012 and related income tax of $1,744 thousand were immediately recognized in other comprehensive income and retained earnings in the statement of changes in equity.

d) According to IFRS, an entity should present expenses and losses by function. Recognized impairment losses of assets based on IAS 36 should be attributed to related functional expense. Therefore, the Company reclassified impairment losses $357,963 thousand to cost of sales.

e) The Company elected the exemption under IFRS 1 and recognized cumulative translation adjustments as zero; thus, cumulative translation adjustments decreased by $464,154 thousand, and retained earnings increased by $464,154 thousand on the date of transition to IFRS. As of December 31, 2012, the difference from conversion of financial statements of all business abroad of $(904,066) thousand was recognized under other comprehensive income.

4) Special reserve accounted on the date of transition

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

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

TABLE 1

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2012				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Yulon Nissan Motor Company, Ltd.	Stock							
	Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	$ 23,891,801	100.00	$ 23,891,801	Notes 1 and 2
Yi-Jan Overseas Investment Co., Ltd.	Stock							
	Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US$ 822,498	100.00	US$ 822,498	Notes 1 and 2
Jet Ford, Inc.	Share certificates							
	Aeolus Xiangyang Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US$ 52,481	16.55	US$ 50,483	Note 1
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US$ 64,190	33.12	US$ 64,190	Note 1
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US$ 227,181	40.00	US$ 228,003	Note 1
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US$ 12,281	45.00	US$ 12,281	Note 1
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US$ 1,304	49.00	US$ 1,304	Note 1

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

Note 2: Eliminated.

YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands)	Amount (Note)
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates													
	Taishin Ta Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	13,952	$ 190,000	3,642	$ 50,000	17,594	$ 241,969	$ 240,000	$ 1,969	-	$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	19,224	279,978	9,551	140,000	28,775	422,278	419,978	2,300	-	-
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	16,142	229,625	8,394	120,000	24,536	351,482	349,625	1,857	-	-
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,546	240,000	3,827	50,000	22,373	293,059	290,000	3,059	-	-
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	8,212	100,000	15,583	190,000	23,795	290,400	290,000	400	-	-
	ING Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,185	50,000	7,590	120,000	10,775	170,391	170,000	391	-	-
	TIIM Money Market Fund	Financial assets at fair value through profit or loss	-	-	15,941	229,969	4,101	60,000	20,042	293,491	289,969	3,522	-	-
	PCA Well Pool Money Market Fund	Financial assets at fair value through profit or loss	-	-	12,220	160,000	10,659	140,000	22,879	301,648	300,000	1,648	-	-
	Cathay Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,947	120,000	9,947	120,047	120,000	47	-	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,285	220,000	580	100,000	1,865	322,399	320,000	2,399	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,360	100,000	6,360	100,416	100,000	416	-	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss			3,215	50,000	4,483	70,000	7,698	120,258	120,000	258	-	-
Jet Ford, Inc.	Share certificates													
	Aeolus Automobile Co., Ltd.	Long-term equity investments	-	Equity-method investee of Jet Ford, Inc.	-	345,322 (US$ 10,890) (Note)	-	228,199 (US$ 7,820) (Note)	-	-	-	-	-	573,521 (US$ 18,710) (Note)

Note: Shown at their original investment amounts.

TABLE 3

YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

Note 1: Transaction terms are based on agreements.

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	$ 380,971	91.31	$ -	-	$ 380,971	$ -

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				December 31, 2012	December 31, 2011	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	$ 1,847,983 (US$ 57,371)	$ 1,847,983 (US$ 57,371)	84,987	100.00	$ 23,891,801	$ 5,585,608	$ 5,585,608	Notes 2 and 4
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US$ 57,171	US$ 57,171	71,772	100.00	US$ 822,498	US$ 188,850	US$ 188,850	Notes 2 and 4
	Yi Hsing Corporation (Note 3)	Philippines	Inquire of parts sales prices and commission-based business	-	US$ 200	-	-	-	US$ (20)	US$ (20)	Notes 2 and 4
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US$ 21,700	US$ 21,700	-	16.55	US$ 52,481	US$ 42,682	US$ 6,630	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US$ 18,710	US$ 10,890	-	33.12	US$ 64,190	US$ 288,355	US$ 89,464	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US$ 16,941	US$ 16,941	-	40.00	US$ 227,181	US$ 204,268	US$ 80,586	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US$ 1,125	US$ 1,125	-	45.00	US$ 12,281	US$ 3,821	US$ 1,719	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars.	US$ 593	US$ 593	-	49.00	US$ 1,304	US$ 351	US$ 172	Note 2

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

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

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

Note 4: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Year	Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Consolidated Total Sales or Assets (Note 5)
2012	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	$ 4,815	-	-
	1	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	4,815	-	-
2011	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	26,984	-	-
			Yi Hsing Corporation	1	Notes and accounts payable - related parties	313	-	-
	1	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	26,984	-	-
	2	Yi Hsing Corporation	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts receivable - related parties	313	-	-

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

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

Note 3: Eliminated.

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow (Note 5)	Inflow					
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	$ 3,581,037 (RMB 826,000)	Note 1	$ 716,856 (US$ 21,700)	$ -	$ -	$ 716,856 (US$ 21,700)	16.55	$ 196,056 (US$ 6,630)	$ 1,524,037 (US$ 52,481)	$ -
Aeolus Automobile Co., Ltd. (Note 4)	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	345,322 (US$ 10,890)	187,787 (US$ 5,922)	-	533,109 (US$ 16,812)	33.12	2,645,730 (US$ 89,464)	1,864,086 (US$ 64,190)	-
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US$ 16,941)	-	-	537,199 (US$ 16,941)	40.00	2,383,183 (US$ 80,586)	6,597,339 (US$ 227,181)	1,269,572 (US$ 39,777)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US$ 1,125)	-	-	35,674 (US$ 1,125)	45.00	50,847 (US$ 1,719)	356,640 (US$ 12,281)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US$ 593)	-	-	18,804 (US$ 593)	49.00	5,083 (US$ 172)	37,864 (US$ 1,304)	-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
$1,841,642 (US$57,171)	$1,917,100 (US$59,660)	$12,402,199

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

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

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

(Continued)

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

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

(Concluded)