

**Yulon Nissan Motor Company, Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2013 and 2012 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2013 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

YULON NISSAN MOTOR COMPANY, LTD.

By

KAI-TAI YEN  
Chairman of the Board

March 24, 2014

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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 consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Yulon Nissan Motor Company, Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 24, 2014

### Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

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

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 8,567,899	24	\$ 4,828,455	18	\$ 1,655,722	7
Financial assets at fair value through profit or loss (Notes 4 and 7)	434,741	1	-	-	2,262,001	9
Notes receivable (Notes 4 and 8)	27	-	-	-	430	-
Notes receivable - related parties (Notes 4 and 28)	2,312	-	1,614	-	27,073	-
Trade receivables (Notes 4 and 8)	41,706	-	36,554	-	21,987	-
Trade receivables - related parties (Notes 4 and 28)	286,196	1	579,338	2	498,670	2
Other receivables (Notes 4 and 8)	351,164	1	3,222,291	12	4,368,193	18
Inventories (Notes 4 and 9)	2,047	-	1,547	-	1,793	-
Prepayments	877,335	3	705,249	3	385,149	2
Other financial assets (Note 10)	<u>7,572,375</u>	<u>21</u>	<u>5,579,666</u>	<u>20</u>	<u>4,592,825</u>	<u>18</u>
Total current assets	<u>18,135,802</u>	<u>51</u>	<u>14,954,714</u>	<u>55</u>	<u>13,813,843</u>	<u>56</u>
<b>NON-CURRENT ASSETS</b>						
Investments accounted for using equity method (Notes 4 and 11)	14,989,267	42	10,379,966	38	9,310,797	37
Property, plant and equipment (Notes 4, 12 and 28)	1,748,604	5	1,677,365	6	1,464,208	6
Computer software (Notes 4 and 13)	7,887	-	11,369	-	12,740	-
Deferred tax assets (Notes 4 and 22)	188,363	1	221,135	1	186,597	1
Other non-current assets (Notes 14 and 28)	<u>249,042</u>	<u>1</u>	<u>85,830</u>	<u>-</u>	<u>19,898</u>	<u>-</u>
Total non-current assets	<u>17,183,163</u>	<u>49</u>	<u>12,375,665</u>	<u>45</u>	<u>10,994,240</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 35,318,965</u>	<u>100</u>	<u>\$ 27,330,379</u>	<u>100</u>	<u>\$ 24,808,083</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 15)	\$ 2,630,000	8	\$ 200,000	1	\$ -	-
Notes payable - related parties (Note 28)	1,536	-	-	-	-	-
Trade payables	127,494	-	147,796	-	144,530	1
Trade payables - related parties (Note 28)	1,073,092	3	1,899,807	7	1,570,472	6
Other payables (Note 16)	657,680	2	548,851	2	561,078	2
Current tax liabilities (Notes 4 and 22)	490,530	1	164,607	1	213,240	1
Provisions (Notes 4 and 18)	169,129	1	149,948	1	177,594	1
Deferred revenue (Note 17)	1,643	-	12,868	-	8,823	-
Other current liabilities	<u>21,419</u>	<u>-</u>	<u>26,212</u>	<u>-</u>	<u>23,854</u>	<u>-</u>
Total current liabilities	<u>5,172,523</u>	<u>15</u>	<u>3,150,089</u>	<u>12</u>	<u>2,699,591</u>	<u>11</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 15)	1,000,000	3	-	-	-	-
Provisions (Notes 4 and 18)	74,808	-	80,318	-	87,599	-
Accrued pension liabilities (Notes 4 and 19)	555,089	1	557,165	2	534,565	2
Deferred tax liabilities (Notes 4 and 22)	<u>3,476,068</u>	<u>10</u>	<u>2,927,514</u>	<u>11</u>	<u>1,977,961</u>	<u>8</u>
Total non-current liabilities	<u>5,105,965</u>	<u>14</u>	<u>3,564,997</u>	<u>13</u>	<u>2,600,125</u>	<u>10</u>
Total liabilities	<u>10,278,488</u>	<u>29</u>	<u>6,715,086</u>	<u>25</u>	<u>5,299,716</u>	<u>21</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>9</u>	<u>3,000,000</u>	<u>11</u>	<u>3,000,000</u>	<u>12</u>
Capital surplus	<u>6,129,405</u>	<u>17</u>	<u>6,129,405</u>	<u>22</u>	<u>5,988,968</u>	<u>24</u>
Retained earnings						
Legal reserve	2,257,887	6	1,764,839	6	1,381,683	6
Special reserve	1,228,789	3	788,877	3	788,877	3
Unappropriated earnings	<u>12,213,958</u>	<u>35</u>	<u>9,836,238</u>	<u>36</u>	<u>8,348,839</u>	<u>34</u>
Total retained earnings	<u>15,700,634</u>	<u>44</u>	<u>12,389,954</u>	<u>45</u>	<u>10,519,399</u>	<u>43</u>
Other equity	<u>210,438</u>	<u>1</u>	<u>(904,066)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Total equity	<u>25,040,477</u>	<u>71</u>	<u>20,615,293</u>	<u>75</u>	<u>19,508,367</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 35,318,965</u>	<u>100</u>	<u>\$ 27,330,379</u>	<u>100</u>	<u>\$ 24,808,083</u>	<u>100</u>

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales (Note 4)	\$ 31,412,448	100	\$ 29,009,942	100
Service revenue (Note 4)	16,872	-	67,095	-
Other operating revenue	<u>56,730</u>	<u>-</u>	<u>57,493</u>	<u>-</u>
Total operating revenue	<u>31,486,050</u>	<u>100</u>	<u>29,134,530</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold (Notes 21 and 28)	<u>26,037,200</u>	<u>83</u>	<u>25,463,593</u>	<u>87</u>
GROSS PROFIT	<u>5,448,850</u>	<u>17</u>	<u>3,670,937</u>	<u>13</u>
OPERATING EXPENSES (Notes 19, 21, 25 and 28)				
Selling and marketing expenses	2,611,485	8	2,151,658	8
General and administrative expenses	387,862	1	399,603	1
Research and development expenses	<u>617,309</u>	<u>2</u>	<u>607,468</u>	<u>2</u>
Total operating expenses	<u>3,616,656</u>	<u>11</u>	<u>3,158,729</u>	<u>11</u>
OTHER INCOME AND EXPENSES (Notes 21 and 28)	<u>(15)</u>	<u>-</u>	<u>180</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,832,179</u>	<u>6</u>	<u>512,388</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Shares of the profit or loss of associates	6,269,191	20	5,280,899	18
Foreign exchange gain, net (Note 21)	391,529	1	98,214	-
Interest income (Note 4)	348,901	1	234,014	1
Other revenue (Note 28)	4,553	-	1,270	-
Gain on disposal of investment, net (Note 21)	3,745	-	18,589	-
Gain on valuation of financial assets, net	1,741	-	-	-
Overseas business expenses (Note 28)	(26,132)	-	(36,459)	-
Interest expenses (Note 28)	(16,994)	-	(1,944)	-
Other losses (Note 28)	<u>(1,823)</u>	<u>-</u>	<u>(5,837)</u>	<u>-</u>
Total non-operating income and expenses	<u>6,974,711</u>	<u>22</u>	<u>5,588,746</u>	<u>19</u>
PROFIT BEFORE TAX	8,806,890	28	6,101,134	21
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,506,893</u>	<u>5</u>	<u>1,162,064</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>7,299,997</u>	<u>23</u>	<u>4,939,070</u>	<u>17</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	\$ 1,114,504	4	\$ (904,066)	(3)
Actuarial gain (loss) arising from defined benefit plans (Note 19)	823	-	(10,259)	-
Income tax relating to components of other comprehensive income (Note 22)	<u>(140)</u>	<u>-</u>	<u>1,744</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>1,115,187</u>	<u>4</u>	<u>(912,581)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 8,415,184</u>	<u>27</u>	<u>\$ 4,026,489</u>	<u>14</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$24.33</u>		<u>\$16.46</u>	
Diluted	<u>\$24.32</u>		<u>\$16.45</u>	

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

			Retained Earnings (Note 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Stockholders' Equity
	Capital Stock (Note 20)	Capital Surplus (Note 20)	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2012	\$ 3,000,000	\$ 5,988,968	\$ 1,381,683	\$ 788,877	\$ 8,348,839	\$ -	\$ 19,508,367
Appropriation of 2011 earnings							
Legal reserve	-	-	383,156	-	(383,156)	-	-
Cash dividend distributed by the Company - \$10.2 per share	-	-	-	-	(3,060,000)	-	(3,060,000)
	-	-	383,156	-	(3,443,156)	-	(3,060,000)
Change in capital surplus from investments in associates accounted for by using equity method	-	140,437	-	-	-	-	140,437
Net profit for the year ended December 31, 2012	-	-	-	-	4,939,070	-	4,939,070
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	(8,515)	(904,066)	(912,581)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	4,930,555	(904,066)	4,026,489
BALANCE, DECEMBER 31, 2012	3,000,000	6,129,405	1,764,839	788,877	9,836,238	(904,066)	20,615,293
Appropriation of 2012 earnings							
Legal reserve	-	-	493,048	-	(493,048)	-	-
Special reserve	-	-	-	439,912	(439,912)	-	-
Cash dividend distributed by the Company - \$13.3 per share	-	-	-	-	(3,990,000)	-	(3,990,000)
	-	-	493,048	439,912	(4,922,960)	-	(3,990,000)
Net profit for the year ended December 31, 2013	-	-	-	-	7,299,997	-	7,299,997
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	683	1,114,504	1,115,187
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	7,300,680	1,114,504	8,415,184
BALANCE, DECEMBER 31, 2013	\$ 3,000,000	\$ 6,129,405	\$ 2,257,887	\$ 1,228,789	\$ 12,213,958	\$ 210,438	\$ 25,040,477

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,806,890	\$ 6,101,134
Adjustments for:		
Depreciation expenses	462,132	508,799
Amortization expenses	6,713	6,717
Gain on fair value changes of financial assets designated as at fair value through profit or loss	(1,741)	-
Interest expense	16,994	1,944
Interest income	(348,901)	(234,014)
Share of the profit of associates	(6,269,191)	(5,280,899)
Loss (gain) on disposal of property, plant and equipment, net	15	(180)
Gain on disposal of investment, net	(3,745)	(18,589)
Impairment losses	-	357,963
Gain on foreign exchange, net	(414,495)	(91,394)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(429,255)	2,280,911
Notes receivable	(27)	430
Notes receivable - related parties	(698)	25,459
Trade receivables	(5,152)	(14,567)
Trade receivables - related parties	293,142	(80,668)
Other receivables	227,960	801,323
Inventories	(500)	246
Prepayments	353,883	40,260
Notes payable - related parties	1,536	-
Trade payables	(9,825)	(24,675)
Trade payables - related parties	(268,139)	86,565
Other payables	107,388	(12,252)
Other current liabilities	(4,793)	2,358
Deferred revenue	(11,225)	4,045
Provisions	13,671	(34,927)
Accrued pension liabilities	(1,253)	12,341
Cash generated from operations	2,521,384	4,438,330
Interest paid	(15,553)	(1,919)
Income tax paid	(1,125,754)	(654,307)
Net cash generated from operating activities	<u>1,380,077</u>	<u>3,782,104</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	5,194,339	4,626,267
Interest received	217,424	82,245
Increase in other financial assets	(1,918,135)	(924,650)
Increase in Investments accounted for using equity method	-	(228,199)
Payment for property, plant and equipment	(1,084,114)	(794,174)

(Continued)



# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Proceeds from disposal of property, plant, and equipment	\$ 26	\$ 500
Payments for computer software	(3,231)	(5,346)
Increase in other non-current assets	<u>(181,563)</u>	<u>(81,286)</u>
Net cash generated from investing activities	<u>2,224,746</u>	<u>2,675,357</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,430,000	200,000
Increase in long-term borrowings	1,000,000	-
Payments of dividends	<u>(3,990,000)</u>	<u>(3,060,000)</u>
Net cash used in financing activities	<u>(560,000)</u>	<u>(2,860,000)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>694,621</u>	<u>(424,728)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,739,444	3,172,733
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,828,455</u>	<u>1,655,722</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 8,567,899</u>	<u>\$ 4,828,455</u>

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

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

---

### 1. GENERAL INFORMATION

Yulon Nissan Motor Company, Ltd. (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in October 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October 2003 through a spin-off. The Company’s spin-off from Yulon intended to increase Yulon’s competitive advantage and participation in the global automobile network and to enhance its professional management. The spin-off date was October 1, 2003.

Yulon initially held 100% equity interest in the Company but then transferred its 40% equity to Nissan Motor Co., Ltd. (“Nissan”), a Japanese motor company, on October 30, 2003. The Company became listed on December 21, 2004 after the initial public offering application of the Company was accepted by the Taiwan Stock Exchange Corporation on October 6, 2004.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the board of directors on March 24, 2014.

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

On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (the “IFRSs”) endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were approved, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the “New IFRSs”) included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

<b>The New IFRSs Not Included in the 2013 IFRSs Version</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Effective date not determined
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

On May 14, 2009, the FSC announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS endorsed by the FSC.

The accompanying consolidated financial statements are the first annual consolidated financial statements prepared in IFRSs. The date of transition to IFRSs was January 1, 2012. Refer to Note 33 for the impact of IFRS conversion on the Group’s consolidated financial statements.

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 33.

##### **Classification of Current and Non-current Assets and Liabilities**

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

##### **Basis of Consolidation**

###### **a. Principles for preparing consolidated financial statements**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

Income and expenses of subsidiaries disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

b. Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Yi-Hsing Corporation	Vehicle parts inquiry and agency	-	-	100.00

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

### Foreign Currencies

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

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

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

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

### Inventories

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

### Investment in Associates

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

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

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

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

### **Property, Plant and Equipment**

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

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

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

### **Computer Software**

Amortization is recognized on a straight-line basis over 3 years.

### **Impairment of Assets**

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

### **Financial Instruments**

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

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

#### **a. Financial assets**

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

## 1) Measurement category

### a) Financial assets at fair value through profit or loss

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

### b) Loans and receivables

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

## 2) Impairment of financial assets

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

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

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

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

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

## 3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

**Provisions**

a. Inventory purchase commitment

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

b. Warranties

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

**Revenue Recognition**

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

a. Sale of goods

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

b. Rendering of services

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

c. Dividend and interest income

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

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

**Retirement Benefit Costs**

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



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

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

## **Taxation**

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

### **a. Current tax**

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

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

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

### **b. Deferred tax**

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

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

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

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

### **c. Current and deferred tax for the year**

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying values of trade receivables were \$681,405 thousand, \$3,839,797 thousand and \$4,916,353 thousand, respectively.

b. Property, plant and equipment - molds and dies

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

c. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of provisions for warranty was \$134,125 thousand, \$148,885 thousand and \$141,354 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Group assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of provisions for loss on inventory purchase commitment was \$109,812 thousand, \$81,381 thousand and \$123,839 thousand, respectively.

e. Recognition and measurement of defined benefit plans

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

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 20	\$ 20	\$ 20
Checking accounts and demand deposits	754,979	673,992	430,283
Foreign currency demand deposit	2,648,035	3,142,304	726,338
Cash equivalents			
Foreign currency time deposits	5,157,965	1,005,239	345,081
Time deposits	<u>6,900</u>	<u>6,900</u>	<u>154,000</u>
	<u>\$ 8,567,899</u>	<u>\$ 4,828,455</u>	<u>\$ 1,655,722</u>

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Demand deposits and time deposits	0.01%-3.25%	0.01%-2.85%	0.02%-0.94%

## 7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets at FVTPL - current</u>			
Non-derivative financial assets			
Mutual fund	<u>\$ 434,741</u>	<u>\$ -</u>	<u>\$ 2,262,001</u>

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 430</u>
<u>Trade receivables</u>	<u>\$ 41,706</u>	<u>\$ 36,554</u>	<u>\$ 21,987</u>
<u>Other receivables</u>			
Interest receivables	\$ 334,035	\$ 202,558	\$ 50,789
Disposal of investment receivables	5,297	234,398	671,387
Dividend receivables	-	2,774,644	3,631,352
Income tax refund receivable	-	-	2,088
Others	<u>11,832</u>	<u>10,691</u>	<u>12,577</u>
	<u>\$ 351,164</u>	<u>\$ 3,222,291</u>	<u>\$ 4,368,193</u>

a. Notes receivable

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

b. Trade receivables

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

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Less than 180 days	\$ 13,833	\$ 7,585	\$ 7,855
181 days to 360 days	<u>-</u>	<u>-</u>	<u>15</u>
	<u><u>\$ 13,833</u></u>	<u><u>\$ 7,585</u></u>	<u><u>\$ 7,870</u></u>

c. Other receivables

As of December 31, 2012 and January 1, 2012, the other receivables were mainly dividend receivables from the investees:

	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Guangzhou Aeolus Automobile Co., Ltd.	\$ 1,165,506	\$ 1,658,222
Aeolus Automobile Co., Ltd.	<u>1,609,138</u>	<u>1,973,130</u>
	<u><u>\$ 2,774,644</u></u>	<u><u>\$ 3,631,352</u></u>

## 9. INVENTORIES

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Parts	<u><u>\$ 2,047</u></u>	<u><u>\$ 1,547</u></u>	<u><u>\$ 1,793</u></u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 was \$26,037,200 thousand, which included warranty cost of \$38,088 thousand and loss on inventory purchase commitment of \$28,431 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 was \$25,463,593 thousand, which included warranty cost of 57,835 thousand and reversal of loss on inventory purchase commitment of \$42,458 thousand.

## 10. OTHER FINANCIAL ASSETS

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

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposit with original maturity more than three months	2.35%-5.00%	1.95%-5.00%	3.10%-5.00%

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Investment in associates</u>			
Guangzhou Aeolus Automobile Co., Ltd.	\$ 8,669,017	\$ 6,597,339	\$ 5,958,828
Aeolus Automobile Co., Ltd.	3,571,067	1,864,086	699,457
Aeolus Xiangyang Automobile Co., Ltd.	2,261,228	1,524,037	2,299,325
Shenzhen Lan You Technology Co., Ltd.	453,724	356,640	318,985
Dong Feng Yulon Used Cars Co., Ltd.	<u>34,231</u>	<u>37,864</u>	<u>34,202</u>
	<u>\$ 14,989,267</u>	<u>\$ 10,379,966</u>	<u>\$ 9,310,797</u>

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

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Guangzhou Aeolus Automobile Co., Ltd.	40.00%	40.00%	40.00%
Aeolus Automobile Co., Ltd.	33.12%	33.12%	25.00%
Aeolus Xiangyang Automobile Co., Ltd.	16.55%	16.55%	16.55%
Shenzhen Lan You Technology Co., Ltd.	45.00%	45.00%	45.00%
Dong Feng Yulon Used Cars Co., Ltd.	49.00%	49.00%	49.00%

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	<u>\$ 73,126,807</u>	<u>\$ 115,143,697</u>	<u>\$ 120,289,677</u>
Total liabilities	<u>\$ 26,221,061</u>	<u>\$ 83,234,455</u>	<u>\$ 88,389,883</u>
		<b>For the Year Ended December 31</b>	
		<b>2013</b>	<b>2012</b>
Revenue for the period		<u>\$ 60,026,176</u>	<u>\$ 48,023,325</u>
Profit for the period		<u>\$ 19,308,831</u>	<u>\$ 15,945,892</u>

The amounts recognized as share of the profit or loss of associates on equity method for the years ended December 31, 2013 and 2012 were based on the financial statements for the same periods, which were audited by independent auditors.

Jetford Inc. originally acquired 25 percent of shares of Aeolus Automobile Co., Ltd. in the investment amount of US\$10,890 thousand. Jetford Inc. further acquired 8.12 percent of shares of Aeolus Automobile Co., Ltd. in May 2012 in the investment amount of US\$7,820 thousand. As of December 31, 2013, the accumulated investment amount was US\$18,710 thousand.

Guangzhou Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB256,000 thousand (NT\$1,231,626 thousand) to Jetford Inc. in May 2013. Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB232,171 thousand (NT\$1,116,985 thousand) to Jetford Inc. in May 2013. As of December 31, 2013, the cash dividends above were received.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
<u>Cost</u>									
Balance at January 1, 2012	\$ 4,018,714	\$ 741,778	\$ 83,468	\$ 83,639	\$ 4,290	\$ 21,135	\$ 5,763	\$ 5,694	\$ 4,964,481
Additions	841,800	223,085	9,095	5,691	-	-	568	-	1,080,239
Disposals	-	-	(7,499)	(7,075)	-	(2,082)	(2,890)	-	(19,546)
Balance at December 31, 2012	<u>\$ 4,860,514</u>	<u>\$ 964,863</u>	<u>\$ 85,064</u>	<u>\$ 82,255</u>	<u>\$ 4,290</u>	<u>\$ 19,053</u>	<u>\$ 3,441</u>	<u>\$ 5,694</u>	<u>\$ 6,025,174</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2012	\$ (2,840,298)	\$ (492,961)	\$ (70,098)	\$ (67,650)	\$ (3,983)	\$ (17,282)	\$ (3,566)	\$ (4,435)	\$ (3,500,273)
Depreciation expense	(393,043)	(100,929)	(6,430)	(5,788)	(117)	(689)	(1,303)	(500)	(508,799)
Impairment losses recognized in profit or loss	(357,963)	-	-	-	-	-	-	-	(357,963)
Disposals	-	-	7,497	6,820	-	2,019	2,890	-	19,226
Balance at December 31, 2012	<u>\$ (3,591,304)</u>	<u>\$ (593,890)</u>	<u>\$ (69,031)</u>	<u>\$ (66,618)</u>	<u>\$ (4,100)</u>	<u>\$ (15,952)</u>	<u>\$ (1,979)</u>	<u>\$ (4,935)</u>	<u>\$ (4,347,809)</u>
Carrying value, net, January 1, 2012	<u>\$ 1,178,416</u>	<u>\$ 248,817</u>	<u>\$ 13,370</u>	<u>\$ 15,989</u>	<u>\$ 307</u>	<u>\$ 3,853</u>	<u>\$ 2,197</u>	<u>\$ 1,259</u>	<u>\$ 1,464,208</u>
Carrying value, net, December 31, 2012	<u>\$ 1,269,210</u>	<u>\$ 370,973</u>	<u>\$ 16,033</u>	<u>\$ 15,637</u>	<u>\$ 190</u>	<u>\$ 3,101</u>	<u>\$ 1,462</u>	<u>\$ 759</u>	<u>\$ 1,677,365</u>
<u>Cost</u>									
Balance at January 1, 2013	\$ 4,860,514	\$ 964,863	\$ 85,064	\$ 82,255	\$ 4,290	\$ 19,053	\$ 3,441	\$ 5,694	\$ 6,025,174
Additions	426,764	88,297	5,750	4,354	4,305	-	3,942	-	533,412
Disposals	(1,668,369)	(330,008)	(8,921)	(11,076)	-	(524)	(1,118)	-	(2,020,016)
Balance at December 31, 2013	<u>\$ 3,618,909</u>	<u>\$ 723,152</u>	<u>\$ 81,893</u>	<u>\$ 75,533</u>	<u>\$ 8,595</u>	<u>\$ 18,529</u>	<u>\$ 6,265</u>	<u>\$ 5,694</u>	<u>\$ 4,538,570</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2013	\$ (3,591,304)	\$ (593,890)	\$ (69,031)	\$ (66,618)	\$ (4,100)	\$ (15,952)	\$ (1,979)	\$ (4,935)	\$ (4,347,809)
Depreciation expense	(361,039)	(85,563)	(6,773)	(6,202)	(680)	(649)	(878)	(348)	(462,132)
Disposals	1,668,369	330,008	8,921	11,040	-	519	1,118	-	2,019,975
Balance at December 31, 2013	<u>\$ (2,283,974)</u>	<u>\$ (349,445)</u>	<u>\$ (66,883)</u>	<u>\$ (61,780)</u>	<u>\$ (4,780)</u>	<u>\$ (16,082)</u>	<u>\$ (1,739)</u>	<u>\$ (5,283)</u>	<u>\$ (2,789,966)</u>
Carrying value, net, January 1, 2013	<u>\$ 1,269,210</u>	<u>\$ 370,973</u>	<u>\$ 16,033</u>	<u>\$ 15,637</u>	<u>\$ 190</u>	<u>\$ 3,101</u>	<u>\$ 1,462</u>	<u>\$ 759</u>	<u>\$ 1,677,365</u>
Carrying value, net, December 31, 2013	<u>\$ 1,334,935</u>	<u>\$ 373,707</u>	<u>\$ 15,010</u>	<u>\$ 13,753</u>	<u>\$ 3,815</u>	<u>\$ 2,447</u>	<u>\$ 4,526</u>	<u>\$ 411</u>	<u>\$ 1,748,604</u>

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

The Group recognized an impairment loss of \$357,963 thousand for the year ended December 31, 2012 due to 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%.

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

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

### 13. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance, January 1, 2012	\$ 20,608
Additions	5,346
Disposals	<u>(5,744)</u>
Balance, December 31, 2012	<u>\$ 20,210</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2012	\$ (7,868)
Amortization expense	(6,717)
Disposals	<u>5,744</u>
Balance, December 31, 2012	<u>\$ (8,841)</u>
Carrying amounts at January 1, 2012	<u>\$ 12,740</u>
Carrying amounts at December 31, 2012	<u>\$ 11,369</u>
<u>Cost</u>	
Balance, January 1, 2013	\$ 20,210
Additions	3,231
Disposals	<u>(990)</u>
Balance, December 31, 2013	<u>\$ 22,451</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2013	\$ (8,841)
Amortization expense	(6,713)
Disposals	<u>990</u>
Balance, December 31, 2013	<u>\$ (14,564)</u>
Carrying amounts at January 1, 2013	<u>\$ 11,369</u>
Carrying amounts at December 31, 2013	<u>\$ 7,887</u>

#### 14. OTHER NON CURRENT ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits	\$ 234,653	\$ 77,775	\$ 19,707
Prepayment for equipment	<u>14,389</u>	<u>8,055</u>	<u>191</u>
	<u>\$ 249,042</u>	<u>\$ 85,830</u>	<u>\$ 19,898</u>

#### 15. BORROWINGS

##### a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	<u>\$ 2,630,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>
Ranges of weighted average effective interest rate	0.96-1.05%	1.15%	-

##### b. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>
Interest rate	1.35%	-	-

The interest payments of the long-term borrowing are made monthly. The repayment of the principal is made when the long-term borrowing reaches to its maturity, which is August 2015.

#### 16. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Salaries and bonus	\$ 357,082	\$ 273,206	\$ 270,506
Payable for advertising and promotion fees payable	113,701	110,068	165,257
Others	<u>186,897</u>	<u>165,577</u>	<u>125,315</u>
	<u>\$ 657,680</u>	<u>\$ 548,851</u>	<u>\$ 561,078</u>

#### 17. DEFERRED REVENUE

	December 31, 2013	December 31, 2012	January 1, 2012
Arising from government grants	<u>\$ 1,643</u>	<u>\$ 12,868</u>	<u>\$ 8,823</u>



The deferred revenue arose in respect of government grant for electric vehicles since 2011.

## 18. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Inventory purchase commitment	\$ 109,812	\$ 81,381	\$ 123,839
Warranties	<u>59,317</u>	<u>68,567</u>	<u>53,755</u>
	<u>\$ 169,129</u>	<u>\$ 149,948</u>	<u>\$ 177,594</u>
Non-current			
Warranties	<u>\$ 74,808</u>	<u>\$ 80,318</u>	<u>\$ 87,599</u>
	<b>Inventory Purchase Commitment</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2012	\$ 123,839	\$ 141,354	\$ 265,193
Additional provisions recognized	-	57,835	57,835
Reversal	(42,458)	-	(42,458)
Paid	<u>-</u>	<u>(50,304)</u>	<u>(50,304)</u>
Balance at December 31, 2012	<u>\$ 81,381</u>	<u>\$ 148,885</u>	<u>\$ 230,266</u>
Balance at January 1, 2013	\$ 81,381	\$ 148,885	\$ 230,266
Additional provisions recognized	28,431	38,088	66,519
Paid	<u>-</u>	<u>(52,848)</u>	<u>(52,848)</u>
Balance at December 31, 2013	<u>\$ 109,812</u>	<u>\$ 134,125</u>	<u>\$ 243,937</u>

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

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

The total expense recognized in profit or loss for the years ended December 31, 2013 and 2012 was \$12,548 thousand and \$12,335 thousand, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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

	<b>2013</b>	<b>2012</b>
Selling and marketing expenses	<u>\$ 4,018</u>	<u>\$ 3,796</u>
General and administrative expenses	<u>\$ 4,005</u>	<u>\$ 4,010</u>
Research and development expenses	<u>\$ 4,525</u>	<u>\$ 4,529</u>

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. as of December 31, 2013; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

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

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Discount rate	1.750%	1.625%	1.750%
Expected return on plan assets	2.000%	1.875%	2.000%
Expected rate of salary increase	2.500%	2.500%	2.500%

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current service cost	\$ 6,112	\$ 6,271
Interest cost	9,476	9,799
Expected return on plan assets	(219)	(168)
Past service cost	<u>2,504</u>	<u>2,504</u>
	<u>\$ 17,873</u>	<u>\$ 18,406</u>
An analysis by functions		
Selling and marketing expenses	\$ 4,666	\$ 4,818
General and administrative expenses	8,145	8,017
Research and development expenses	<u>5,062</u>	<u>5,571</u>
	<u>\$ 17,873</u>	<u>\$ 18,406</u>

Actuarial losses and (gains) recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was \$(823) thousand and \$10,259 thousand, respectively. The cumulative amount of actuarial losses and (gains) recognized in other comprehensive income as of December 31, 2013 and 2012 was \$9,436 thousand and \$10,259 thousand, respectively.

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Defined benefit obligation	\$ 573,593	\$ 583,133	\$ 559,935
Fair value of plan assets	<u>(3,601)</u>	<u>(8,561)</u>	<u>(5,458)</u>
Deficit	569,992	574,572	554,477
Past service cost not yet recognized	<u>(14,903)</u>	<u>(17,407)</u>	<u>(19,912)</u>
Net liability arising from defined benefit obligation	<u>\$ 555,089</u>	<u>\$ 557,165</u>	<u>\$ 534,565</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening defined benefit obligation	\$ 583,133	\$ 559,935
Current service cost	6,112	6,271
Interest cost	9,476	9,799
Actuarial (gains)/losses	(967)	10,147
Benefits paid - from Bank of Taiwan	(11,169)	(3,019)
Benefits paid - from book-reserve	<u>(12,992)</u>	<u>-</u>
Closing defined benefit obligation	<u>\$ 573,593</u>	<u>\$ 583,133</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening fair value of plan assets	\$ 8,561	\$ 5,458
Expected return on plan assets	219	168
Actuarial losses	(144)	(111)
Contributions from the employer	6,134	6,065
Benefits paid	<u>(11,169)</u>	<u>(3,019)</u>
Closing fair value of plan assets	<u>\$ 3,601</u>	<u>\$ 8,561</u>

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Equity instruments	44.77	37.43	40.75
Cash and cash equivalents	22.86	24.51	23.87
Fixed income instruments	18.11	16.28	16.19
Debt instruments	9.37	10.45	11.45
Others	<u>4.89</u>	<u>11.33</u>	<u>7.74</u>
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (please refer to Note 33):

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

The Group expects to make a contribution of \$6,674 thousand to the defined benefit plans during the annual period beginning after 2013.

## 20. EQUITY

### a. Capital surplus

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Excess from spin-off	\$ 5,986,507	\$ 5,986,507	\$ 5,986,507
Generated from long-term investment	<u>142,898</u>	<u>142,898</u>	<u>2,461</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 5,988,968</u>

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

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

### b. Retained earnings and dividend policy

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

- 1) 0.1% to 5% as bonus to employees.
- 2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 14, 2013 and June 13, 2012, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Legal reserve	\$ 493,048	\$ 383,156		
Special reserve	439,912	-		
Cash dividend	3,990,000	3,060,000	\$13.3	\$10.2

Bonus to employees for 2012 and 2011 approved in the shareholders' meetings on June 14, 2013 and June 13, 2012, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>Cash Dividend</b>	<b>Cash Dividend</b>
Bonus to employees	\$ 30,251	\$ 41,500

There was no difference between the amounts of the bonus to employees in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2012 and 2011.

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

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

The estimated amount of accrued employee bonus for the year ended December 31, 2012 was \$30,251 thousand. The bonuses to the Company's employees for the year ended December 31, 2012 were calculated at 0.76% of net income net of the 10% deduction for legal reserve.

After the end of the year, if the actual amounts subsequently resolved by the board of directors have significant difference from the proposed amounts, the adjustments to expenses are recorded in the year of recognition. At the date of stockholders' resolution, if the amount differs from the amount resolved by the board of directors, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

An amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

As of March 24, 2014, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2013 earnings of the Company had not been approved by the board of directors and stockholders. Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

c. Special reserves appropriated following first-time adoption of IFRSs

The Company's special reserves appropriated following Rule No. 1010012865 issued by the FSC were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Special reserve	<u>\$ 409,037</u>	<u>\$ 409,037</u>	<u>\$ 409,037</u>

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Company appropriated for special reserve an amount of \$409,037 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

## 21. NET PROFIT

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
An analysis of depreciation by function		
Operating cost	\$ 446,602	\$ 493,971
Operating expenses	<u>15,530</u>	<u>14,828</u>
	<u>\$ 462,132</u>	<u>\$ 508,799</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 6,713</u>	<u>\$ 6,717</u>

b. Technical cooperation agreement

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Operating cost	\$ <u>460,376</u>	\$ <u>449,129</u>

The Company has a technical cooperation agreement (the “TCA”) with Nissan. The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax.

c. Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Post-employment benefit (Note 19)		
Defined contribution plans	\$ 12,548	\$ 12,335
Defined benefit plans	<u>17,873</u>	<u>18,406</u>
	<u>30,421</u>	<u>30,741</u>
Termination benefit	3,900	3,900
Labor and health insurance	34,648	29,914
Other employee benefit	<u>596,424</u>	<u>553,364</u>
	<u>634,972</u>	<u>587,178</u>
Total employee benefit expenses	\$ <u>665,393</u>	\$ <u>617,919</u>
An analysis of employee benefits expense by function		
Operating cost	\$ <u>881</u>	\$ <u>945</u>
Operating expenses	<u>\$ 663,487</u>	<u>\$ 616,043</u>
Non-operating expenses	<u>\$ 1,025</u>	<u>\$ 931</u>

d. Non-operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Net gain or (loss) on disposal of property, plant and equipment	\$ <u>(15)</u>	\$ <u>180</u>

e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Foreign exchange gain	\$ 409,972	\$ 103,560
Foreign exchange loss	<u>(18,443)</u>	<u>(5,346)</u>
Net gain	\$ <u>391,529</u>	\$ <u>98,214</u>

f. Gain or loss on sale of investment

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Gain on sale of investment	\$ 5,211	\$ 18,910
Loss on sale of investment	<u>(1,466)</u>	<u>(321)</u>
Net gain	\$ <u>3,745</u>	\$ <u>18,589</u>

## 22. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
In respect of the current year	\$ 921,450	\$ 248,502
In respect of prior periods	4,257	(3,197)
Deferred tax		
In respect of the current year	<u>581,186</u>	<u>916,759</u>
Income tax expense recognized in profit or loss	<u>\$ 1,506,893</u>	<u>\$ 1,162,064</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Profit before tax	<u>\$ 8,806,890</u>	<u>\$ 6,101,134</u>
Income tax expense calculated at the tax rate	\$ 1,497,171	\$ 1,037,191
Nondeductible expenses in determining taxable income	5,646	10,775
Tax-exempt income	(933)	(5,546)
Additional income tax on unappropriated earnings	752	122,841
Adjustments for prior years' tax	<u>4,257</u>	<u>(3,197)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,506,893</u>	<u>\$ 1,162,064</u>

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

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Actuarial gains and losses on defined benefit plan	<u>\$ (140)</u>	<u>\$ 1,744</u>

### c. Current tax liabilities

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Current tax liabilities</u>			
Income tax payable	<u>\$ 490,530</u>	<u>\$ 164,607</u>	<u>\$ 213,240</u>



d. Deferred tax assets and liabilities

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

For the year ended December 31, 2012

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 91,157	\$ 2,098	\$ 1,744	\$ 94,999
Impairment losses	43,954	34,239	-	78,193
Provisions for warranty	24,030	1,280	-	25,310
Provisions for loss on inventory purchase commitment	21,053	(7,218)	-	13,835
Unrealized exchange loss, net	3,976	1,009	-	4,985
Deferred revenue	-	3,813	-	3,813
Investment credit	<u>2,427</u>	<u>(2,427)</u>	<u>-</u>	<u>-</u>
	<u>\$ 186,597</u>	<u>\$ 32,794</u>	<u>\$ 1,744</u>	<u>\$ 221,135</u>

Deferred tax liabilities

Temporarily difference				
Shares of the profit of subsidiary	<u>\$ 1,977,961</u>	<u>\$ 949,553</u>	<u>\$ -</u>	<u>\$ 2,927,514</u>

For the year ended December 31, 2013

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporarily difference				
Defined benefit obligation	\$ 94,999	\$ (212)	\$ (140)	\$ 94,647
Impairment losses	78,193	(25,946)	-	52,247
Provisions for warranty	25,310	(2,509)	-	22,801
Provisions for loss on inventory purchase commitment	13,835	4,833	-	18,668
Unrealized exchange loss, net	4,985	(4,985)	-	-
Deferred revenue	<u>3,813</u>	<u>(3,813)</u>	<u>-</u>	<u>-</u>
	<u>\$ 221,135</u>	<u>\$ (32,632)</u>	<u>\$ (140)</u>	<u>\$ 188,363</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporarily difference				
Shares of the profit of subsidiary	\$ 2,927,514	\$ 543,104	\$ -	\$ 3,470,618
Unrealized exchange gain, net	<u>-</u>	<u>5,450</u>	<u>-</u>	<u>5,450</u>
	<u>\$ 2,927,514</u>	<u>\$ 545,845</u>	<u>\$ -</u>	<u>\$ 3,476,068</u>
				(Concluded)

e. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 12,213,958</u>	<u>\$ 9,836,238</u>	<u>\$ 8,348,839</u>
Imputation credit account ("ICA")	<u>\$ 813,731</u>	<u>\$ 344,571</u>	<u>\$ 219,689</u>

The creditable ratio for distribution of earnings of 2013 and 2012 were 6.66% (expected ratio) and 5.00%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

f. Income tax assessment

The tax returns through 2011 have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2013	2012
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 7,299,997</u>	<u>\$ 4,939,070</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Weighted average number of common stock in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive common stock:		
Bonus issue to employees	<u>126</u>	<u>245</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>300,126</u>	<u>300,245</u>

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

## 24. NON-CASH TRANSACTIONS

For the years ended December 31, 2013 and 2012, the Group entered into the following non-cash investing activities:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 515,061	\$ 1,064,885
Decrease/(increase) in trade payable	<u>569,053</u>	<u>(270,711)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 1,084,114</u>	<u>\$ 794,174</u>

## 25. OPERATING LEASE AGREEMENTS

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
No later than 1 year	\$ 2,508	\$ 2,508	\$ 2,508
Later than 1 year and not later than 5 years	6,479	8,987	10,032
Later than 5 years	<u>-</u>	<u>-</u>	<u>1,463</u>
	<u>\$ 8,987</u>	<u>\$ 11,495</u>	<u>\$ 14,003</u>

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

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

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

#### 2) Fair value measurements recognized in the consolidated balance sheet

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

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

#### December 31, 2013

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

#### December 31, 2012

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

#### January 1, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Non-derivative financial assets held for trading	<u>\$ 2,201,855</u>	<u>\$ -</u>	<u>\$ 60,146</u>	<u>\$ 2,262,001</u>

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

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

For the year ended December 31, 2012

	<b>Financial Assets at Fair Value through Profit or Loss</b>
Balance, January 1, 2012	\$ 60,146
Total gain - in profit or loss	22
Disposals	<u>(60,168)</u>
Balance, December 31, 2012	<u>\$ -</u>

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

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

b. Categories of financial instruments

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Financial assets</u>			
Fair value through profit or loss			
Held for trading	\$ 434,741	\$ -	\$ 2,262,001
Loans and receivables (Note 1)	16,821,679	14,247,918	11,164,900
<u>Financial liabilities</u>			
Amortized cost (Note 2)	5,106,211	2,496,640	2,005,574

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	<u>RMB Impact</u>		<u>U.S. Dollar Impact</u>		<u>Japan Yen Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Gain (loss)	\$ (758,298)	\$ (612,225)	\$ (27,582)	\$ (6,319)	\$ (749)	\$ (3,218)

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

b) Interest rate risk

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

	<u>December 31,</u>	<u>December 31,</u>	<u>January 1, 2012</u>
	<u>2013</u>	<u>2012</u>	
Fair value interest rate risk			
Financial assets	\$ 12,742,990	\$ 6,597,858	\$ 5,098,822
Financial liabilities	3,630,000	200,000	-
Cash flows interest rate risk			
Financial assets	3,397,264	3,810,243	1,149,705

Sensitivity analysis

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

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2012 would decrease/increase by \$9,526 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

## 2) Credit risk

The Group's concentration of credit risk of 50%, 60% and 44% in total trade receivables as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, was related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the available unutilized short-term borrowing facilities were \$370,000 thousand, \$800,000 thousand and \$1,000,000 thousand, respectively.

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

### December 31, 2013

	<b>Weighted- average Effective Interest Rate (%)</b>	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>4 to 12 Months</b>	<b>13 to 24 Months</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 972,197	\$ 292,470	\$ 211,544	\$ -
Fixed interest rate instrument	1.08	-	2,636,287	10,125	1,008,544
		<u>\$ 972,197</u>	<u>\$ 2,928,757</u>	<u>\$ 221,669</u>	<u>\$ 1,008,544</u>

December 31, 2012

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	4 to 12 Months	13 to 24 Months
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 1,420,270	\$ 389,424	\$ 486,946	\$ -
Fixed interest rate instrument	1.15	<u>200,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,620,462</u>	<u>\$ 389,424</u>	<u>\$ 486,946</u>	<u>\$ -</u>

January 1, 2012

	Weighted- average Effective Interest Rate (%)	Within One Month	1 to 3 Months	4 to 12 Months	13 to 24 Months
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	<u>\$ 1,552,913</u>	<u>\$ 160,940</u>	<u>\$ 291,727</u>	<u>\$ -</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Investors that have significant influence over the Group	
Nissan Motor Corporation ("Nissan")	Equity-method investor of the Company
Yulon Motor Co., Ltd. ("Yulon")	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia ("NMI")	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Ashok Leyland Nissan Vehicles Ltd.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Allied Engineering Co., Ltd.	Same as above

(Continued)



<b>Related Party</b>	<b>Relationship with the Group</b>
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
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
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Nissan Motor Philippines, Inc. (NMPI)	Same as above
Uni Calsonic Corporation	Substantial related party of Yulon
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
ROC Spicer 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
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
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
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
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.
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
San Long Industrial Co., Ltd.	Substantial related party of Y-teks, Co. (Concluded)

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

1) Trading transactions

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Sales</u>		
Investors that have significant influence over the Group	\$ 10,309	\$ 13,488
Others	<u>30,844,618</u>	<u>28,211,096</u>
	<u>\$ 30,854,927</u>	<u>\$ 28,224,584</u>
<u>Service revenue</u>		
Investors that have significant influence over the Group	\$ 16,872	\$ 16,271
Others	<u>-</u>	<u>50,824</u>
	<u>\$ 16,872</u>	<u>\$ 67,095</u>
<u>Other operating revenue</u>		
Investors that have significant influence over the Group	\$ 21,286	\$ 21,176
Others	<u>18,413</u>	<u>20,219</u>
	<u>\$ 39,699</u>	<u>\$ 41,395</u>

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
<u>Operating cost - purchase</u>		
Investors that have significant influence over the Group	\$ 24,825,735	\$ 23,772,933
Others	<u>40,724</u>	<u>62,905</u>
	<u>\$ 24,866,459</u>	<u>\$ 23,835,838</u>

Operating cost - TCA

Investors that have significant influence over the Group	<u>\$ 460,376</u>	<u>\$ 449,129</u>
--	-------------------	-------------------

Operating cost - rental

Investors that have significant influence over the Group	\$ 12,323	\$ 37,889
Others	<u>16,713</u>	<u>13,893</u>
	<u>\$ 29,036</u>	<u>\$ 51,782</u>

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
<u>Selling and marketing expenses</u>		
Investors that have significant influence over the Group	\$ 42,433	\$ 17,484
Others	<u>1,750,092</u>	<u>1,377,889</u>
	<u>\$ 1,792,525</u>	<u>\$ 1,395,373</u>

General and administrative expenses

Investors that have significant influence over the Group	\$ 20,486	\$ 1,274
Others	<u>186,468</u>	<u>184,867</u>
	<u>\$ 206,954</u>	<u>\$ 186,141</u>

Research and development expenses

Investors that have significant influence over the Group	\$ 89,939	\$ 54,115
Others	<u>26,324</u>	<u>25,440</u>
	<u>\$ 116,263</u>	<u>\$ 79,555</u>

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

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

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
Investors that have significant influence over the Group	\$ -	\$ 35,878
Others	<u>167,103</u>	<u>278,003</u>
	<u>\$ 167,103</u>	<u>\$ 313,881</u>

2) Non-operating transactions

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
<u>Other revenue</u>		
Investors that have significant influence over the Group	\$ 581	\$ 1,226
Others	<u>399</u>	<u>-</u>
	<u>\$ 980</u>	<u>\$ 1,226</u>
<u>Overseas business expense</u>		
Others	<u>\$ 15,486</u>	<u>\$ 28,376</u>
<u>Other losses</u>		
Investors that have significant influence over the Group	\$ 32	\$ 28
Others	<u>-</u>	<u>326</u>
	<u>\$ 32</u>	<u>\$ 354</u>

3) Receivables from related parties

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Notes receivable</u>			
Others	<u>\$ 2,312</u>	<u>\$ 1,614</u>	<u>\$ 27,073</u>
<u>Trade receivables</u>			
Investors that have significant influence over the Group	\$ 40,837	\$ 21,970	\$ 10,743
Others	<u>245,359</u>	<u>557,368</u>	<u>487,927</u>
	<u>\$ 286,196</u>	<u>\$ 579,338</u>	<u>\$ 498,670</u>

4) Payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes payable</u>			
Investors that have significant influence over the Group	\$ <u>1,536</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Trade payables</u>			
Investors that have significant influence over the Group	\$ 659,922	\$ 1,199,777	\$ 1,205,704
Others	<u>413,170</u>	<u>700,030</u>	<u>364,768</u>
	<u>\$ 1,073,092</u>	<u>\$ 1,899,807</u>	<u>\$ 1,570,472</u>

5) Refundable deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Investors that have significant influence over the Group	\$ 174,432	\$ 17,600	\$ 17,600
Others	<u>59,284</u>	<u>58,560</u>	<u>-</u>
	<u>\$ 233,716</u>	<u>\$ 76,160</u>	<u>\$ 17,600</u>

c. Compensation of key management personnel:

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

	<u>For the Year Ended December 31</u>	
	2013	2012
Short-term employee benefit	\$ 42,279	\$ 37,515
Post-employment benefit	<u>1,585</u>	<u>1,886</u>
	<u>\$ 43,864</u>	<u>\$ 39,401</u>

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

d. Other transactions with related-parties

- 1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to \$2,017,040 thousand and \$2,079,532 thousand for the years ended December 31, 2013 and 2012, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the trade receivable sold to Taiwan Acceptance Corporation were \$1,185 thousand and \$1,270 thousand for the years ended December 31, 2013 and 2012, respectively.

- 2) The Company bought other equipment for \$769 thousand from Singgual Technology Co., Ltd. for the year ended December 31, 2013. The Company bought other equipment for \$440 thousand and \$298 thousand from Singgual Technology Co., Ltd. and Yulon Motor Co., Ltd. for the year ended December 31, 2012, respectively. All of them were recorded under property, plant and equipment.
- 3) The Company had sold property, plant and equipment to related-party; the related-party and amounts for the year ended December 31, 2012 are summarized as follows:

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

- 4) 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 \$829,663 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 September 2013. The Company had already paid \$610,478 thousand (recognized as property, plant and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

## 29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service. As of December 31, 2013, both parties did not receive a termination notice, so the contract automatically extended.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2013, no buy-back of vehicles has occurred.

c. Unrecognized commitments

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	\$ 289,990	\$ 407,866	\$ 408,645
Acquisition of other intangible assets	<u>1,331</u>	<u>-</u>	<u>580</u>
	<u>\$ 291,321</u>	<u>\$ 407,866</u>	<u>\$ 409,225</u>

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

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2013

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

Financial liabilities

Monetary items			
JPY	919	0.2839 (JPY:NTD)	261

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,651,840	0.1590 (RMB:USD)	\$ 12,244,500
USD	4,352	29.04 (USD:NTD)	126,382
JPY	193,397	0.3364 (JPY:NTD)	65,059

Financial liabilities

Monetary item			
JPY	2,092	0.3364 (JPY:NTD)	704

January 1, 2012

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,890,679	0.1587 (RMB:USD)	\$ 9,084,037
USD	2,268	30.275 (USD:NTD)	68,664
JPY	238,980	0.3906 (JPY:NTD)	93,346
<u>Financial liabilities</u>			
Monetary items			
USD	27	30.275 (USD:NTD)	817
JPY	29,158	0.3906 (JPY:NTD)	11,389

### **31. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

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



b. Information on investments in mainland China

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

## 32. SEGMENTS INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Overseas business activities

Other segment: Other operating activities other than the above segments

a. Segment revenues and results

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

	<b>Revenue</b>		<b>Profit Before Tax</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Vehicle segment	\$ 28,051,149	\$ 25,563,983	\$ 1,625,085	\$ 465,627
Part segment	3,361,299	3,445,959	585,791	609,754
Investment segment	-	-	6,243,058	5,244,440
Other segment	<u>73,602</u>	<u>124,588</u>	<u>(360,751)</u>	<u>(552,140)</u>
	<u>\$ 31,486,050</u>	<u>\$ 29,134,530</u>	8,093,183	5,767,681

(Continued)

	<b>Revenue</b>		<b>Profit Before Tax</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Gain (loss) on disposal of property, plant and equipment			\$ (15)	\$ 180
Interest income			348,901	234,014
Foreign exchange gain (loss), net			391,529	98,214
Gain on disposal of investment			3,745	18,589
Gain from valuation of financial assets			1,741	-
Interest expense			(16,994)	(1,944)
Central administration cost and directors' compensation			<u>(15,200)</u>	<u>(15,600)</u>
Profit before tax			<u>\$ 8,806,890</u>	<u>\$ 6,101,134</u>
				(Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2013 and 2012.

Segment profit represents the profit earned by each segment, excluding the allocation of gain (loss) on disposal of property, plant and equipment, interest income, foreign exchange gain (loss), net, gain on disposal of investment, gain from valuation of financial assets, interest expense, central administration cost and directors' compensation, and income tax expense. The amount is provided to the chief operating decision maker for allocating resources and assessing the performance.

b. Segment total assets

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Vehicle segment	\$ 1,710,369	\$ 1,580,201	\$ 1,429,851
Part segment	2,532	2,678	2,727
Investment segment	14,989,267	10,379,966	9,310,797
Other segment	<u>35,703</u>	<u>32,022</u>	<u>31,630</u>
	16,737,871	11,994,867	10,775,005
Unallocated assets	<u>18,581,094</u>	<u>15,335,512</u>	<u>14,033,078</u>
Consolidated total assets	<u>\$ 35,318,965</u>	<u>\$ 27,330,379</u>	<u>\$ 24,808,083</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Vehicles	\$ 28,051,149	\$ 25,563,983
Parts	3,361,299	3,445,959
Others	<u>73,602</u>	<u>124,588</u>
	<u>\$ 31,486,050</u>	<u>\$ 29,134,530</u>

d. Geographical information

The Group's revenues from external customers by location of operations are detailed below.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Domestic	\$ 31,099,191	\$ 28,654,342
Overseas	<u>386,859</u>	<u>480,188</u>
	<u>\$ 31,486,050</u>	<u>\$ 29,134,530</u>

The Group's non-current assets by location of assets are detailed below.

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Domestic	\$ 2,002,533	\$ 1,774,564	\$ 1,496,789
Overseas	<u>-</u>	<u>-</u>	<u>57</u>
	<u>\$ 2,002,533</u>	<u>\$ 1,774,564</u>	<u>\$ 1,496,846</u>

e. Information about major customers

The Group's revenue from major customers is detailed below.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Certain customer from the vehicle segment	<u>\$ 27,903,555</u>	<u>\$ 25,104,177</u>

No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

### 33. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

1) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

### Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Group elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

### Cumulative translation differences

The Group elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly. Gains or losses of a subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to IFRSs.

The effect of the abovementioned optional exemptions elected by the Group was stated in the following Note 2) - Explanations of significant reconciling items in the transition to IFRSs.

### Deemed cost of property, plant, equipment and other intangible assets

The Group measured property, plant and equipment and other intangible assets on translation date under cost model according to IFRSs, and retroactively applied the relevant regulations.

## 2) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

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

(Continued)

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

(Continued)

<b>Accounting Issues</b>	<b>Description of Differences</b>
Prepayment for equipment	Under ROC GAAP, prepayment for equipment is usually recognized as part of property, plant and equipment.  After converting to IFRSs, prepayment for equipment is usually classified as prepayment under noncurrent assets.
Gain/loss on disposal of property, plant and equipment	Under ROC GAAP, gain/loss on disposal of property, plant and equipment is usually recognized as part of non-operating expenses.  After converting to IFRSs, an entity presents expenses and losses by function. Gain/Loss on disposal of property, plant and equipment should be attributed to related functional expense.
	(Concluded)

- c. After converting to IFRSs, the reconciliations of the consolidated balance sheets, the consolidated statements of comprehensive income and consolidated statements of cash flows are as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

	<b>ROC GAAP</b>	<b>Difference</b>	<b>IFRSs</b>	<b>Note</b>
Current assets	\$ 13,848,011	\$ (34,168)	\$ 13,813,843	a), f)
Long-term investments	9,310,797	-	9,310,797	
Property, plant and equipment	37,166	1,427,042	1,464,208	e), g)
Intangible assets	-	12,740	12,740	e)
Other assets	1,459,680	(1,253,185)	206,495	a), b), c), e), g)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Total assets	<u>\$ 24,655,654</u>	<u>\$ 152,429</u>	<u>\$ 24,808,083</u>	
Current liabilities	\$ 2,699,591	\$ -	\$ 2,699,591	
Other liabilities	<u>2,392,579</u>	<u>207,546</u>	<u>2,600,125</u>	b), c)
Total liabilities	<u>\$ 5,092,170</u>	<u>\$ 207,546</u>	<u>\$ 5,299,716</u>	
Capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	
Capital surplus	5,988,968	-	5,988,968	
Retained earnings	10,110,362	409,037	10,519,399	c), d)
Cumulative translation adjustments	<u>464,154</u>	<u>(464,154)</u>	<u>-</u>	d)
Stockholders' equity	<u>\$ 19,563,484</u>	<u>\$ (55,117)</u>	<u>\$ 19,508,367</u>	

- a) Deferred tax assets - current with the amount of \$34,168 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRSs.

- b) After converting to IFRSs, 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 IFRSs 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 IFRSs.
- 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 IFRSs, 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.
- g) After converting to IFRSs, prepayment for equipment is usually classified as prepayment under noncurrent assets. The amount reclassified from property, plant and equipment to other noncurrent assets was \$191 thousand.
- 2) Reconciliation of consolidated balance sheet as of December 31, 2012

	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	1,632,129	1,677,365	e), f)
Intangible assets	-	11,369	11,369	e)
Other assets	1,729,328	(1,422,363)	306,965	a), b), c), e), f)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Total assets	<u>\$ 27,143,533</u>	<u>\$ 186,846</u>	<u>\$ 27,330,379</u>	
Current liabilities	\$ 3,150,089	\$ -	\$ 3,150,089	
Other liabilities	<u>3,323,112</u>	<u>241,885</u>	<u>3,564,997</u>	b), c)
Total liabilities	<u>\$ 6,473,201</u>	<u>\$ 241,885</u>	<u>\$ 6,715,086</u>	

(Continued)

	ROC GAAP	Difference	IFRSs	Note
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)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Stockholders' equity	<u>\$ 20,670,332</u>	<u>\$ (55,039)</u>	<u>\$ 20,615,293</u>	(Concluded)

- a) Deferred tax assets - current with the amount of \$34,289 thousand was reclassified to deferred tax assets - noncurrent after converting to IFRSs.
- b) After converting to IFRSs, 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 IFRSs 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 for the year ended December 31, 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 IFRSs. For the year end December 31, 2012, the exchange differences on translating foreign operations of \$904,066 thousand were recognized under other comprehensive income.
- e) Molds and dies of \$1,632,129 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 IFRSs, 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.
- g) After converting to IFRSs, prepayment for equipment is usually classified as prepayment under noncurrent assets. The amount reclassified from property, plant and equipment to other noncurrent assets was \$8,055 thousand.



3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

	ROC GAAP	Difference	IFRSs	Note
Operating revenues	\$ 29,134,530	\$ -	\$ 29,134,530	
Operating cost	<u>(25,105,630)</u>	<u>(357,963)</u>	<u>(25,463,593)</u>	d)
Gross profit	4,028,900	(357,963)	3,670,937	
Operating expenses	(3,169,082)	10,353	(3,158,729)	a)
Other gains and losses	<u>-</u>	<u>180</u>	<u>180</u>	f)
Operating income	859,818	(347,430)	512,388	
Non-operating gains and losses	<u>5,230,963</u>	<u>357,783</u>	<u>5,588,746</u>	d), f)
Income before income tax	6,090,781	10,353	6,101,134	
Income tax expense	<u>(1,160,304)</u>	<u>(1,760)</u>	<u>(1,162,064)</u>	b)
Net income	<u>\$ 4,930,477</u>	<u>\$ 8,593</u>	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 IFRSs 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 IFRSs 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 for the year ended December 31, 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 IFRSs. For the year end December 31, 2012, the exchange differences on translating foreign operations of \$(904,066) thousand were recognized under other comprehensive income.
- f) After converting to Rules Governing the Preparation of Financial Reports, gain on disposal of property, plant and equipment of \$180 thousand was reclassified from non-operating income and expenses to other gains and losses.

d. Explanation of material adjustments to the statement of cash flows.

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 "Statement of Cash Flow", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of \$5,579,666 thousand and \$4,592,825 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group was for investment purposes and thus no longer classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flow", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received by the Group of \$82,245 thousand and \$4,626,267 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

**TABLE 1**

**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2013**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2013				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u> Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	\$ 80,000	-	\$ 80,269	
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss	6,819	80,000	-	80,096	
	Cathay Taiwan Money Market	-	Financial assets at fair value through profit or loss	4,104	50,000	-	50,048	
	ING Taiwan Money Market	-	Financial assets at fair value through profit or loss	3,138	50,000	-	50,024	
	PineBridge Global Multi-Strat Hi Yld A	-	Financial assets at fair value through profit or loss	3,277	40,000	-	40,618	
	Capital Money Market	-	Financial assets at fair value through profit or loss	2,546	40,000	-	40,128	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	2,769	40,000	-	40,027	
	FSITC Global High Yield Bond A	-	Financial assets at fair value through profit or loss	2,137	30,000	-	30,114	
	Eastspring Inv Global High Yield Bond A	-	Financial assets at fair value through profit or loss	1,651	20,000	-	20,251	
	Franklin Templeton SinoAm Convnt Ind	-	Financial assets at fair value through profit or loss	243	3,000	-	3,166	

Note 1: Shown at their original investment amounts.

Note 2: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset’s net value and the redemption price as of December 31, 2013.

**TABLE 2****YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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	Equity-method investor of the Company	Purchase	\$ 24,923,064	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (500,584)	(69)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	27,903,555	89	4 days after sales for parts 3 days after sales for vehicles	-	-	118,741	40	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon	Sale	339,491	1	15 days after sales for parts	-	-	9,818	3	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	336,365	1	Same as above	-	-	4,338	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	315,194	1	15 days after sales for parts Immediate payment for vehicles	-	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon	Sale	255,509	1	15 days after sales for parts	-	-	-	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon	Sale	240,161	1	Same as above	-	-	13	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	234,690	1	15 days after sales for parts Immediate payment for vehicles	-	-	2,543	1	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	228,560	1	Same as above	-	-	648	-	-
	Chen Long Co., Ltd.	Equity-method investee of Yulon	Sale	207,616	1	15 days after sales for parts	-	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon	Sale	180,351	1	15 days after sales for parts Immediate payment for vehicles	-	-	556	-	-

Note 1: Transaction terms are based on agreements.

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

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

**TABLE 3**

**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, 2013**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivable   \$ 118,741 Other receivable   22,877	116.56	\$ -	-	\$ 118,741 -	\$ -

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

**TABLE 4**

**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2013			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2013	December 31, 2012	Shares (Thousands)	%	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$ 28,185,091	\$ 6,902,444	\$ 6,902,444	Notes 2 and 3
Yi-Jan Overseas Investment Co., Ltd.	Jetford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 945,433	US\$ 232,497	US\$ 232,497	Notes 2 and 3
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 75,867	US\$ 131,907	US\$ 21,388	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 18,710	US\$ 18,710	-	33.12	US\$ 119,814	US\$ 272,380	US\$ 90,212	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\$ 290,858	US\$ 240,196	US\$ 96,901	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\$ 15,223	US\$ 5,585	US\$ 2,513	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\$ 1,148	US\$ 302	US\$ 148	Note 2

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

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

Note 3: Eliminated.

**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and trade receivables - related parties	\$ 10,100	-	-

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.

TABLE 6

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2013	Accumulated Repatriation of Investment Income as of December 31, 2013
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55	\$ 3,916,198 (US\$ 131,907)	\$ 634,994 (US\$ 21,388)	\$ 2,261,228 (US\$ 75,867)	\$ -
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	33.12	8,086,693 (US\$ 272,380)	2,678,313 (US\$ 90,212)	3,571,067 (US\$ 119,814)	-
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	7,131,177 (US\$ 240,196)	2,876,883 (US\$ 96,901)	8,669,017 (US\$ 290,858)	4,993,230 (US\$ 163,077)
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	165,807 (US\$ 5,585)	74,613 (US\$ 2,513)	453,724 (US\$ 15,223)	-
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	8,955 (US\$ 302)	4,388 (US\$ 148)	34,231 (US\$ 1,148)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$15,024,286

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

(Continued)



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

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

(Concluded)