

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2014 and 2013 and  
Independent Accountants' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2014, and September 30, 2013 and the related consolidated statements of comprehensive income for the three months ended September 30, 2014 and 2013, nine months ended September 30, 2014 and 2013, and changes in equity and cash flows for the nine months ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.



November 10, 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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' review 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)

	September 30, 2014 (Reviewed)		December 31, 2013 (Audited)		September 30, 2013 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 10,455,700	32	\$ 8,567,899	24	\$ 6,674,307	21
Financial assets at fair value through profit or loss (Notes 4 and 7)	605,621	2	434,741	1	261,806	1
Notes receivable (Notes 4 and 8)	22	-	27	-	6	-
Notes receivable - related parties (Notes 4 and 28)	2,109	-	2,312	-	2,382	-
Trade receivable (Notes 4 and 8)	74,632	-	41,706	-	49,601	-
Trade receivable from related parties (Notes 4 and 28)	563,030	2	286,196	1	622,057	2
Other receivables (Notes 4 and 8)	1,968,456	6	351,164	1	2,645,733	8
Current tax assets (Note 4)	2,725	-	-	-	-	-
Inventories (Notes 4 and 9)	96,174	-	2,047	-	310,209	1
Prepayments	300,364	1	877,335	3	652,512	2
Other financial assets (Note 10)	<u>1,607,446</u>	<u>5</u>	<u>7,572,375</u>	<u>21</u>	<u>6,475,061</u>	<u>20</u>
Total current assets	<u>15,676,279</u>	<u>48</u>	<u>18,135,802</u>	<u>51</u>	<u>17,693,674</u>	<u>55</u>
<b>NON-CURRENT ASSETS</b>						
Investments accounted for using equity method (Notes 4 and 11)	14,462,901	44	14,989,267	42	12,654,231	39
Property, plant and equipment (Notes 4, 12 and 28)	1,750,848	5	1,748,604	5	1,672,561	5
Computer Software (Notes 4 and 13)	9,849	-	7,887	-	9,494	-
Deferred tax assets (Note 4)	176,229	1	188,363	1	203,057	1
Other non-current assets (Notes 14 and 28)	<u>636,320</u>	<u>2</u>	<u>249,042</u>	<u>1</u>	<u>110,834</u>	<u>-</u>
Total non-current assets	<u>17,036,147</u>	<u>52</u>	<u>17,183,163</u>	<u>49</u>	<u>14,650,177</u>	<u>45</u>
<b>TOTAL</b>	<u>\$ 32,712,426</u>	<u>100</u>	<u>\$ 35,318,965</u>	<u>100</u>	<u>\$ 32,343,851</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 15)	\$ 2,630,000	8	\$ 2,630,000	8	\$ 2,630,000	8
Notes payable - related parties (Note 28)	-	-	1,536	-	-	-
Trade payables	71,862	-	127,494	-	69,855	-
Trade payables - related parties (Note 28)	929,537	3	1,073,092	3	1,372,737	4
Other payables (Note 16)	835,421	3	657,680	2	505,071	2
Current tax liabilities (Note 4)	983,065	3	490,530	1	427,532	1
Provisions (Notes 4 and 18)	155,560	-	169,129	1	158,883	1
Long-term liabilities - current portion (Note 15)	1,000,000	3	-	-	-	-
Deferred revenue (Note 17)	-	-	1,643	-	1,937	-
Other current liabilities	<u>22,910</u>	<u>-</u>	<u>21,419</u>	<u>-</u>	<u>17,710</u>	<u>-</u>
Total current liabilities	<u>6,628,355</u>	<u>20</u>	<u>5,172,523</u>	<u>15</u>	<u>5,183,725</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 15)	-	-	1,000,000	3	1,000,000	3
Provisions (Notes 4 and 18)	82,509	-	74,808	-	76,441	-
Accrued pension liabilities (Note 4)	546,317	2	555,089	1	557,536	2
Deferred tax liabilities (Note 4)	<u>2,081,889</u>	<u>7</u>	<u>3,476,068</u>	<u>10</u>	<u>3,083,432</u>	<u>10</u>
Total non-current liabilities	<u>2,710,715</u>	<u>9</u>	<u>5,105,965</u>	<u>14</u>	<u>4,717,409</u>	<u>15</u>
Total liabilities	<u>9,339,070</u>	<u>29</u>	<u>10,278,488</u>	<u>29</u>	<u>9,901,134</u>	<u>31</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>9</u>	<u>3,000,000</u>	<u>9</u>
Capital surplus	<u>6,129,405</u>	<u>19</u>	<u>6,129,405</u>	<u>17</u>	<u>6,129,405</u>	<u>19</u>
Retained earnings						
Legal reserve	2,987,887	9	2,257,887	6	2,257,887	7
Special reserve	788,877	2	1,228,789	3	1,228,789	4
Unappropriated earnings	<u>10,002,005</u>	<u>31</u>	<u>12,213,958</u>	<u>35</u>	<u>9,950,437</u>	<u>30</u>
Total retained earnings	<u>13,778,769</u>	<u>42</u>	<u>15,700,634</u>	<u>44</u>	<u>13,437,113</u>	<u>41</u>
Other equity	<u>465,182</u>	<u>1</u>	<u>210,438</u>	<u>1</u>	<u>(123,801)</u>	<u>-</u>
Total equity	<u>23,373,356</u>	<u>71</u>	<u>25,040,477</u>	<u>71</u>	<u>22,442,717</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 32,712,426</u>	<u>100</u>	<u>\$ 35,318,965</u>	<u>100</u>	<u>\$ 32,343,851</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 10, 2014)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
(Note 28)								
Sales (Note 4)	\$ 8,097,969	100	\$ 7,944,520	100	\$ 26,341,376	100	\$ 22,346,698	100
Service revenue (Note 4)	138	-	6,233	-	7,832	-	10,820	-
Other operating revenue	12,496	-	6,100	-	38,116	-	44,619	-
Total operating revenue	8,110,603	100	7,956,853	100	26,387,324	100	22,402,137	100
OPERATING COSTS								
Cost of goods sold (Notes 9, 21 and 28)	7,004,498	86	6,388,856	80	23,080,047	88	18,385,863	82
GROSS PROFIT	1,106,105	14	1,567,997	20	3,307,277	12	4,016,274	18
OPERATING EXPENSES								
(Notes 19, 21 and 28)								
Selling and marketing expenses	607,130	8	603,302	8	1,992,112	7	1,826,775	8
General and administrative expenses	82,723	1	88,327	1	289,582	1	290,821	2
Research and development expenses	168,861	2	160,178	2	429,202	2	449,596	2
Total operating expenses	858,714	11	851,807	11	2,710,896	10	2,567,192	12
OTHER INCOME AND EXPENSES (Notes 21 and 28)	(30)	-	(15)	-	1,131	-	(15)	-
PROFIT FROM OPERATIONS	247,361	3	716,175	9	597,512	2	1,449,067	6
NON-OPERATING INCOME AND EXPENSES								
Shares of the profit of associates	1,300,848	16	1,598,009	20	4,107,970	16	4,164,259	19
Interest income	90,141	1	84,365	1	315,820	1	243,450	1
Gain (loss) on disposal of investment, net (Note 21)	(802)	-	1,006	-	6,472	-	1,608	-
Gain (loss) from valuation of financial assets, net	(872)	-	889	-	4,209	-	1,158	-
Other revenue (Note 28)	1,670	-	295	-	2,827	-	1,663	-
Foreign exchange gain (loss), net (Note 21)	115,699	2	(6,508)	-	(125,517)	(1)	237,595	1
Interest expenses (Note 28)	(11,051)	-	(4,852)	-	(33,040)	-	(6,128)	-
Overseas business expenses (Note 28)	(3,135)	-	(5,636)	-	(14,230)	-	(19,785)	-
Other losses (Note 28)	(154)	-	(246)	-	(940)	-	(1,326)	-
Total non-operating income and expenses	1,492,344	19	1,667,322	21	4,263,571	16	4,622,494	21
PROFIT BEFORE TAX	1,739,705	22	2,383,497	30	4,861,083	18	6,071,561	27
INCOME TAX EXPENSES (Notes 4 and 22)	296,083	4	406,092	5	941,929	3	1,034,281	4
NET PROFIT FOR THE PERIOD	1,443,622	18	1,977,405	25	3,919,154	15	5,037,280	23

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# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Exchange differences on translating foreign operations	\$ 359,166	4	\$ (261,931)	(3)	\$ 254,744	1	\$ 780,265	3
Actuarial loss arising from defined benefit plans	(36)	-	(55)	-	(23)	-	(146)	-
Income tax relating to components of other comprehensive income (Note 22)	6	-	10	-	4	-	25	-
Other comprehensive income for the period, net of income tax	359,136	4	(261,976)	(3)	254,725	1	780,144	3
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,802,758</u>	<u>22</u>	<u>\$ 1,715,429</u>	<u>22</u>	<u>\$ 4,173,879</u>	<u>16</u>	<u>\$ 5,817,424</u>	<u>26</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$4.81</u>		<u>\$6.59</u>		<u>\$13.06</u>		<u>\$16.79</u>	
Diluted	<u>\$4.81</u>		<u>\$6.59</u>		<u>\$13.06</u>		<u>\$16.78</u>	

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

(With Deloitte & Touche review report dated November 10, 2014)

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# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share) (Reviewed, Not Audited)

	Capital Stock	Capital Surplus (Note 20)	Retained Earnings (Note 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2013	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 1,764,839</u>	<u>\$ 788,877</u>	<u>\$ 9,836,238</u>	<u>\$ (904,066)</u>	<u>\$ 20,615,293</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,990,000)</u>	<u>-</u>	<u>(3,990,000)</u>
	<u>-</u>	<u>-</u>	<u>493,048</u>	<u>439,912</u>	<u>(4,922,960)</u>	<u>-</u>	<u>(3,990,000)</u>
Net profit for the nine months ended September 30, 2013	-	-	-	-	5,037,280	-	5,037,280
Other comprehensive income for the nine months ended September 30, 2013, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121)</u>	<u>780,265</u>	<u>780,144</u>
Total comprehensive income for the nine months ended September 30, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,037,159</u>	<u>780,265</u>	<u>5,817,424</u>
BALANCE, SEPTEMBER 30, 2013	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 2,257,887</u>	<u>\$ 1,228,789</u>	<u>\$ 9,950,437</u>	<u>\$ (123,801)</u>	<u>\$ 22,442,717</u>
BALANCE, JANUARY 1, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 2,257,887</u>	<u>\$ 1,228,789</u>	<u>\$ 12,213,958</u>	<u>\$ 210,438</u>	<u>\$ 25,040,477</u>
Appropriation of 2013 earnings							
Legal reserve	-	-	730,000	-	(730,000)	-	-
Special reserve	-	-	-	(439,912)	439,912	-	-
Cash dividend distributed by the Company - \$19.47 per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,841,000)</u>	<u>-</u>	<u>(5,841,000)</u>
	<u>-</u>	<u>-</u>	<u>730,000</u>	<u>(439,912)</u>	<u>(6,131,088)</u>	<u>-</u>	<u>(5,841,000)</u>
Net profit for the nine months ended September 30, 2014	-	-	-	-	3,919,154	-	3,919,154
Other comprehensive income for the nine months ended September 30, 2014, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19)</u>	<u>254,744</u>	<u>254,725</u>
Total comprehensive income for the nine months ended September 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,919,135</u>	<u>254,744</u>	<u>4,173,879</u>
BALANCE, SEPTEMBER 30, 2014	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 2,987,887</u>	<u>\$ 788,877</u>	<u>\$ 10,002,005</u>	<u>\$ 465,182</u>	<u>\$ 23,373,356</u>

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

(With Deloitte & Touche review report dated November 10, 2014)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,861,083	\$ 6,071,561
Adjustments for:		
Depreciation expenses	348,619	345,962
Amortization expenses	4,158	5,056
Gain on valuation of financial assets, net	(4,209)	(1,158)
Interest expense	33,040	6,128
Interest income	(315,820)	(243,450)
Share of profit of associates	(4,107,970)	(4,164,259)
Loss (gain) on disposal of property, plant and equipment, net	(1,131)	15
Gain on disposal of investment, net	(6,472)	(1,608)
Unrealized gain on foreign exchange, net	(102,963)	(243,294)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(160,199)	(259,040)
Notes receivable	5	(6)
Notes receivable- related parties	203	(768)
Trade receivables	(32,926)	(13,047)
Trade receivables- related parties	(276,834)	(42,719)
Other receivables	11,899	(84,333)
Inventories	(94,127)	(308,662)
Prepayments	(4,782)	260,009
Notes payables- related parties	(1,536)	-
Trade payables	(55,632)	(77,941)
Trade payables- related parties	(52,717)	124,148
Other payables	177,914	(45,072)
Other current liabilities	1,491	(8,502)
Deferred revenue	(1,643)	(10,931)
Provisions	(5,868)	5,058
Accrued pension liabilities	(8,795)	225
Cash generated from operations	204,788	1,313,372
Interest paid	(33,213)	(4,836)
Income tax paid	(1,268,434)	(514,108)
Net cash generated from (used in) operating activities	(1,096,859)	794,428
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other financial assets	6,013,882	(652,770)
Payment for property, plant and equipment (Note 24)	(428,847)	(982,420)
Proceeds from disposal of property, plant, and equipment	4,638	26
Payments for computer software	(6,120)	(3,181)

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# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2014	2013
Increase in other non-current assets	\$ (403,639)	\$ (35,001)
Interest received	605,322	187,781
Dividends received	<u>2,874,315</u>	<u>2,836,295</u>
Net cash generated from investing activities	<u>8,659,551</u>	<u>1,350,730</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	2,430,000
Increase in long-term borrowings	-	1,000,000
Payments of dividends	<u>(5,841,000)</u>	<u>(3,990,000)</u>
Cash used in financing activities	<u>(5,841,000)</u>	<u>(560,000)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>166,109</u>	<u>260,694</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,887,801	1,845,852
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>8,567,899</u>	<u>4,828,455</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 10,455,700</u>	<u>\$ 6,674,307</u>

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

(With Deloitte & Touche review report dated November 10, 2014)

(Concluded)



# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 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 November 10, 2014.

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

The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

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

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

<b>New, Amended and Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note)</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)

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

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

#### **New IFRSs in Issue but Not Yet Endorsed by FSC**

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

<b>New IFRSs</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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

The application of the above New IFRSs has not had any material impact on the Group’s accounting policies.

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

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

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, “Interim Financial Reporting.” This consolidated financial report did not provide all disclosure information usually required for annual financial reports under IFRSs.

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

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

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

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

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		
			September 30, 2014	December 31, 2013	September 30, 2013
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

## 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 period 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 - period-end rates; profit and loss - average rates during the period; 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 period-end rates; profit and loss are translated at the average rates during the period; 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 on the asset in prior years.

## Financial Instruments

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

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

### a. Financial assets

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

#### 1) Measurement category

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

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

##### b) Loans and receivables

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

#### 2) Impairment of financial assets

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

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

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

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

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

**Provisions**

a. Inventory purchase commitment

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

b. Warranties

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

**Revenue Recognition**

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

a. Sale of goods

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

b. Rendering of services

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

c. Dividend and interest income

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

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

**Retirement Benefit Costs**

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

**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.

Income tax of the interim period is assessed based on one-year period. The income tax expense is calculated using income before tax of the interim period based on the applicable tax rate of the expected total earnings of the year.

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 September 30, 2014, December 31, 2013 and September 30, 2013, the carrying values of trade receivables were \$2,608,249 thousand, \$681,405 thousand and \$3,319,779 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 September 30, 2014, December 31, 2013 and September 30, 2013, the carrying amount of provisions for warranty were \$141,043 thousand, \$134,125 thousand and \$137,806 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 September 30, 2014, December 31, 2013 and September 30, 2013, the carrying amount of provisions for loss on inventory purchase commitment were \$97,026 thousand, \$109,812 thousand and \$97,518 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

	September 30, 2014	December 31, 2013	September 30, 2013
Cash on hand	\$ 20	\$ 20	\$ 20
Checking accounts and demand deposits	534,253	754,979	134,879
Foreign currency demand deposits	4,773,914	2,648,035	2,454,309
Cash equivalents			
Foreign currency time deposits	5,140,613	5,157,965	4,078,199
Time deposits	<u>6,900</u>	<u>6,900</u>	<u>6,900</u>
	<u>\$ 10,455,700</u>	<u>\$ 8,567,899</u>	<u>\$ 6,674,307</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 ranges of market interest rates of cash in bank on each balance sheet date were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Demand deposits and time deposits	0.01%-3.20%	0.01%-3.25%	0.01%-3.25%

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

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Financial assets held for trading</u>			
Non-derivative financial assets Mutual fund	<u>\$ 605,621</u>	<u>\$ 434,741</u>	<u>\$ 261,806</u>

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

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Notes receivable</u>	<u>\$ 22</u>	<u>\$ 27</u>	<u>\$ 6</u>
<u>Trade receivables</u>	<u>\$ 74,632</u>	<u>\$ 41,706</u>	<u>\$ 49,601</u>
<u>Other receivables</u>			
Dividend receivables	\$ 1,918,693	\$ -	\$ 2,348,611
Interest receivables	44,533	334,035	258,227
Disposal of investment receivables	-	5,297	33,567
Others	<u>5,230</u>	<u>11,832</u>	<u>5,328</u>
	<u>\$ 1,968,456</u>	<u>\$ 351,164</u>	<u>\$ 2,645,733</u>

### a. Notes receivables

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 age of receivables that were past due but not impaired was as follow:

	September 30, 2014	December 31, 2013	September 30, 2013
Less than 180 days	<u>\$ 24,261</u>	<u>\$ 13,833</u>	<u>\$ 31,084</u>

c. Other receivables

As of September 30, 2014, December 31, 2013 and September 30, 2013, the other receivables were mainly dividend receivables from the investees:

	September 30, 2014	December 31, 2013	September 30, 2013
Aeolus Automobile Co., Ltd.	\$ 1,918,693	\$ -	\$ 1,116,985
Guangzhou Aeolus Automobile Co., Ltd.	<u>-</u>	<u>-</u>	<u>1,231,626</u>
	<u>\$ 1,918,693</u>	<u>\$ -</u>	<u>\$ 2,348,611</u>

## 9. INVENTORIES

	September 30, 2014	December 31, 2013	September 30, 2013
Vehicles	\$ 94,346	\$ -	\$ 308,204
Parts	<u>1,828</u>	<u>2,047</u>	<u>2,005</u>
	<u>\$ 96,174</u>	<u>\$ 2,047</u>	<u>\$ 310,209</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2014 was \$7,004,498 thousand, which included warranty cost of \$16,365 thousand and reversal of loss on inventory purchase commitment of \$764 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2014 was \$23,080,047 thousand, which included warranty cost of \$48,137 thousand and reversal of loss on inventory purchase commitment of \$12,786 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2013 was \$6,388,856 thousand, which included warranty cost of \$14,845 thousand and loss on inventory purchase commitment of \$4,668 thousand. The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2013 was \$18,385,863 thousand, which included warranty cost of \$24,259 thousand and loss on inventory purchase commitment of \$16,137 thousand.

## 10. OTHER FINANCIAL ASSETS

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

	September 30, 2014	December 31, 2013	September 30, 2013
Time deposit with original maturity of more than three months	3.30%-4.40%	2.35%-5.00%	2.35%-5.00%

# 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Investment in associates</u>			
Guangzhou Aeolus Automobile Co., Ltd.	\$ 9,762,229	\$ 8,669,017	\$ 7,440,462
Aeolus Xiangyang Automobile Co., Ltd.	2,487,654	2,261,228	1,962,752
Aeolus Automobile Co., Ltd.	1,722,302	3,571,067	2,816,860
Shenzhen Lan You Technology Co., Ltd.	485,016	453,724	391,128
Dong Feng Yulon Used Cars Co., Ltd.	<u>5,700</u>	<u>34,231</u>	<u>43,029</u>
	<u>\$ 14,462,901</u>	<u>\$ 14,989,267</u>	<u>\$ 12,654,231</u>

At the end of the reporting periods, the Group's percentages of voting rights in associates were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Guangzhou Aeolus Automobile Co., Ltd.	40.00%	40.00%	40.00%
Aeolus Xiangyang Automobile Co., Ltd.	16.55%	16.55%	16.55%
Aeolus Automobile Co., Ltd.	33.12%	33.12%	33.12%
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 aggregate financial information of associates was as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Total assets	\$ <u>75,753,359</u>	\$ <u>73,126,807</u>	\$ <u>112,060,883</u>
Total liabilities	\$ <u>30,256,319</u>	\$ <u>26,221,061</u>	\$ <u>81,824,665</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Revenue for the period	\$ <u>8,737,315</u>	\$ <u>12,720,259</u>	\$ <u>31,019,487</u>	\$ <u>34,108,021</u>
Profit for the period	\$ <u>3,391,740</u>	\$ <u>4,682,608</u>	\$ <u>11,058,548</u>	\$ <u>12,751,109</u>

The amounts recognized as share of the profit or loss of affiliated enterprises on equity method for the three months and the nine months ended September 30, 2014 and 2013 were based on the financial statements for the same periods, which were reviewed by independent accountants.

Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB288,144 thousand (NT\$1,424,368 thousand) and RMB100,000 thousand (NT\$494,325 thousand) to Jet Ford, Inc. in March and May 2014, respectively. As of September 30, 2014, the cash dividends mentioned above were not yet received by the stockholders, and accounted as other receivables.

## 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, 2013	\$ 4,860,514	\$ 964,864	\$ 85,064	\$ 82,255	\$ 4,290	\$ 19,052	\$ 3,441	\$ 5,694	\$ 6,025,174
Additions	243,781	87,421	4,100	1,592	4,305	-	-	-	341,199
Disposals	(1,668,369)	(330,008)	-	(11,076)	-	(524)	(1,118)	-	(2,011,095)
Balance at September 30, 2013	<u>\$ 3,435,926</u>	<u>\$ 722,277</u>	<u>\$ 89,164</u>	<u>\$ 72,771</u>	<u>\$ 8,595</u>	<u>\$ 18,528</u>	<u>\$ 2,323</u>	<u>\$ 5,694</u>	<u>\$ 4,355,278</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	(270,442)	(63,761)	(5,116)	(4,760)	(489)	(503)	(612)	(279)	(345,962)
Disposals	1,668,369	330,008	-	11,040	-	519	1,118	-	2,011,054
Balance at September 30, 2013	<u>\$ (2,193,377)</u>	<u>\$ (327,643)</u>	<u>\$ (74,147)</u>	<u>\$ (60,338)</u>	<u>\$ (4,589)</u>	<u>\$ (15,936)</u>	<u>\$ (1,473)</u>	<u>\$ (5,214)</u>	<u>\$ (2,682,717)</u>
Carrying value, net, January 1, 2013	<u>\$ 1,269,210</u>	<u>\$ 370,974</u>	<u>\$ 16,033</u>	<u>\$ 15,637</u>	<u>\$ 190</u>	<u>\$ 3,100</u>	<u>\$ 1,462</u>	<u>\$ 759</u>	<u>\$ 1,677,365</u>
Carrying value, net, September 30, 2013	<u>\$ 1,242,549</u>	<u>\$ 394,634</u>	<u>\$ 15,017</u>	<u>\$ 12,433</u>	<u>\$ 4,006</u>	<u>\$ 2,592</u>	<u>\$ 850</u>	<u>\$ 480</u>	<u>\$ 1,672,561</u>
<u>Cost</u>									
Balance at January 1, 2014	\$ 3,618,909	\$ 723,152	\$ 81,893	\$ 75,533	\$ 8,595	\$ 18,529	\$ 6,265	\$ 5,694	\$ 4,538,570
Additions	249,659	88,350	1,276	8,565	6,520	-	-	-	354,370
Disposals	-	-	(8,450)	(238)	(5,852)	-	(1,755)	-	(16,295)
Balance at September 30, 2014	<u>\$ 3,868,568</u>	<u>\$ 811,502</u>	<u>\$ 74,719</u>	<u>\$ 83,860</u>	<u>\$ 9,263</u>	<u>\$ 18,529</u>	<u>\$ 4,510</u>	<u>\$ 5,694</u>	<u>\$ 4,876,645</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2014	\$ (2,283,974)	\$ (349,445)	\$ (66,883)	\$ (61,780)	\$ (4,780)	\$ (16,082)	\$ (1,739)	\$ (5,283)	\$ (2,789,966)
Depreciation expense	(264,422)	(73,265)	(4,804)	(4,040)	(726)	(328)	(928)	(106)	(348,619)
Disposals	-	-	8,414	235	2,384	-	1,755	-	12,788
Balance at September 30, 2014	<u>\$ (2,548,396)</u>	<u>\$ (422,710)</u>	<u>\$ (63,273)</u>	<u>\$ (65,585)</u>	<u>\$ (3,122)</u>	<u>\$ (16,410)</u>	<u>\$ (912)</u>	<u>\$ (5,389)</u>	<u>\$ (3,125,797)</u>
Carrying value, net, January 1, 2014	<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>
Carrying value, net, September 30, 2014	<u>\$ 1,320,172</u>	<u>\$ 388,792</u>	<u>\$ 11,446</u>	<u>\$ 18,275</u>	<u>\$ 6,141</u>	<u>\$ 2,119</u>	<u>\$ 3,598</u>	<u>\$ 305</u>	<u>\$ 1,750,848</u>

There were no signs of impairment of assets for the nine months ended September 30, 2014 and 2013; therefore, the Group did not assess for impairment.

Except molds and dies are depreciated on the basis of estimated production volume, 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. COMPUTER SOFTWARE

	<b>Amount</b>
<u>Cost</u>	
Balance, January 1, 2013	\$ 20,210
Additions	3,181
Disposals	<u>(990)</u>
Balance, September 30, 2013	<u>\$ 22,401</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2013	\$ (8,841)
Amortization expense	(5,056)
Disposals	<u>990</u>
Balance, September 30, 2013	<u>\$ (12,907)</u>
Carrying amounts, net at January 1, 2013	<u>\$ 11,369</u>
Carrying amounts, net at September 30, 2013	<u>\$ 9,494</u>
<u>Cost</u>	
Balance, January 1, 2014	\$ 22,451
Additions	6,120
Disposals	<u>(13,640)</u>
Balance, September 30, 2014	<u>\$ 14,931</u>
<u>Accumulated amortization</u>	
Balance, January 1, 2014	\$ (14,564)
Amortization expense	(4,158)
Disposals	<u>13,640</u>
Balance, September 30, 2014	<u>\$ (5,082)</u>
Carrying amounts, net at January 1, 2014	<u>\$ 7,887</u>
Carrying amounts, net at September 30, 2014	<u>\$ 9,849</u>

### 14. OTHER NON-CURRENT ASSETS

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Refundable deposits	\$ 618,478	\$ 234,653	\$ 97,723
Prepayment for equipment	<u>17,842</u>	<u>14,389</u>	<u>13,111</u>
	<u>\$ 636,320</u>	<u>\$ 249,042</u>	<u>\$ 110,834</u>

Refundable deposits are mainly refundable deposits for materials to Yulon.

## 15. SHORT-TERM BORROWINGS

### a. Short-term borrowings

	September 30, 2014	December 31, 2013	September 30, 2013
Unsecured bank loans	<u>\$ 2,630,000</u>	<u>\$ 2,630,000</u>	<u>\$ 2,630,000</u>
Ranges of weighted average effective interest rate	0.96%-1.05%	0.96%-1.05%	0.96%-1.05%

### b. Long-term borrowings

	September 30, 2014	December 31, 2013	September 30, 2013
Unsecured bank loans	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Less: Long-term liabilities - current portion	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Interest rate	1.35%	1.35%	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

	September 30, 2014	December 31, 2013	September 30, 2013
Advertising and promotion fees	\$ 448,853	\$ 113,701	\$ 116,357
Salaries and bonus	283,339	357,082	298,764
Others	<u>103,229</u>	<u>186,897</u>	<u>89,950</u>
	<u>\$ 835,421</u>	<u>\$ 657,680</u>	<u>\$ 505,071</u>

## 17. DEFERRED REVENUE

	September 30, 2014	December 31, 2013	September 30, 2013
Government grants	<u>\$ -</u>	<u>\$ 1,643</u>	<u>\$ 1,937</u>

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



## 18. PROVISIONS

	September 30, 2014	December 31, 2013	September 30, 2013
Current			
Inventory purchase commitment	\$ 97,026	\$ 109,812	\$ 97,518
Warranties	<u>58,534</u>	<u>59,317</u>	<u>61,365</u>
	<u>\$ 155,560</u>	<u>\$ 169,129</u>	<u>\$ 158,883</u>
Non-current			
Warranties	<u>\$ 82,509</u>	<u>\$ 74,808</u>	<u>\$ 76,441</u>
	<b>Inventory Purchase Commitment</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2013	\$ 81,381	\$ 148,885	\$ 230,266
Additional provisions recognized	16,137	24,259	40,396
Paid	<u>-</u>	<u>(35,338)</u>	<u>(35,338)</u>
Balance at September 30, 2013	<u>\$ 97,518</u>	<u>\$ 137,806</u>	<u>\$ 235,324</u>
Balance at January 1, 2014	\$ 109,812	\$ 134,125	\$ 243,937
Additional provisions recognized	-	48,137	48,137
Reversal	(12,786)	-	(12,786)
Paid	<u>-</u>	<u>(41,219)</u>	<u>(41,219)</u>
Balance at September 30, 2014	<u>\$ 97,026</u>	<u>\$ 141,043</u>	<u>\$ 238,069</u>

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

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The 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 nine months ended September 30, 2014 and 2013 were \$9,604 thousand and \$9,365 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>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Selling and marketing expenses	<u>\$ 1,042</u>	<u>\$ 1,010</u>	<u>\$ 3,045</u>	<u>\$ 3,005</u>
General and administrative expenses	<u>\$ 1,017</u>	<u>\$ 995</u>	<u>\$ 3,076</u>	<u>\$ 2,987</u>
Research and development expenses	<u>\$ 1,158</u>	<u>\$ 1,111</u>	<u>\$ 3,483</u>	<u>\$ 3,373</u>

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 Group recognized the pension expense using the pension cost rates determined by the actuary on December 31, 2013 and 2012, respectively. Related pension costs were included in the following items:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Selling and marketing expenses	<u>\$ 1,173</u>	<u>\$ 1,156</u>	<u>\$ 3,331</u>	<u>\$ 3,486</u>
General and administrative expenses	<u>\$ 2,136</u>	<u>\$ 2,031</u>	<u>\$ 6,611</u>	<u>\$ 6,089</u>
Research and development expenses	<u>\$ 1,203</u>	<u>\$ 1,282</u>	<u>\$ 3,592</u>	<u>\$ 3,830</u>

## 20. EQUITY

a. Capital surplus

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</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>142,898</u>
	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>	<u>\$ 6,129,405</u>

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

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

b. Retained earnings and dividend policy

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

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

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

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

	<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>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Legal reserve	\$ 730,000	\$ 493,048		
Special reserve	(439,912)	439,912		
Cash dividend	5,841,000	3,990,000	\$ 19.47	\$ 13.30

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

	<b>2013</b>	<b>2012</b>
	<b>Cash Dividend</b>	<b>Cash Dividend</b>
Bonus to employees	\$ 31,500	\$ 30,251

The approved amount of the cash bonus to employees was not different from the accrual amount reflected in the financial statements for the year ended December 31, 2013 and 2012.

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

The estimated amount of accrued employee bonus for the nine months ended September 30, 2014 was \$23,625 thousand. The bonuses to the Company's employees for the nine months ended September 30, 2014 were calculated at 0.67% of net income net of the 10% deduction for legal reserve.

The estimated amount of accrued employee bonus for the nine months ended September 30, 2013 was \$23,625 thousand. The bonuses to the Company's employees for the nine months ended September 30, 2013 were calculated at 0.52% 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.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

## 21. NET PROFIT

### a. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Depreciation				
Operating cost	\$ 102,375	\$ 106,591	\$ 337,687	\$ 334,203
Operating expenses	<u>3,582</u>	<u>3,618</u>	<u>10,932</u>	<u>11,759</u>
	<u>\$ 105,957</u>	<u>\$ 110,209</u>	<u>\$ 348,619</u>	<u>\$ 345,962</u>
Amortization				
Operating expenses	<u>\$ 950</u>	<u>\$ 1,686</u>	<u>\$ 4,158</u>	<u>\$ 5,056</u>

### b. Technical cooperation agreement

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Operating cost	<u>\$ 119,587</u>	<u>\$ 110,526</u>	<u>\$ 415,296</u>	<u>\$ 338,976</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 Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Post-employment benefit (Note 19)				
Defined contribution plans	\$ 3,217	\$ 3,116	\$ 9,604	\$ 9,365
Defined benefit plans	<u>4,512</u>	<u>4,469</u>	<u>13,534</u>	<u>13,405</u>
	<u>7,729</u>	<u>7,585</u>	<u>23,138</u>	<u>22,770</u>
Termination benefit	975	975	2,925	2,925
Labor and health insurance	8,463	8,045	28,675	26,573
Other employee benefit	<u>130,516</u>	<u>139,660</u>	<u>430,858</u>	<u>436,767</u>
	<u>139,954</u>	<u>148,680</u>	<u>462,458</u>	<u>466,265</u>
 Total employee benefit expenses	 <u>\$ 147,683</u>	 <u>\$ 156,265</u>	 <u>\$ 485,596</u>	 <u>\$ 489,035</u>
 An analysis of employee benefits expense				
Operating cost	<u>\$ 150</u>	<u>\$ 135</u>	<u>\$ 446</u>	<u>\$ 736</u>
Operating expenses	<u>\$ 147,178</u>	<u>\$ 155,872</u>	<u>\$ 484,378</u>	<u>\$ 487,533</u>
Non-operating expenses	<u>\$ 355</u>	<u>\$ 258</u>	<u>\$ 772</u>	<u>\$ 766</u>

d. Other income and expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Gain (loss) on disposal of property, plant and equipment, net	<u>\$ (30)</u>	<u>\$ (15)</u>	<u>\$ 1,131</u>	<u>\$ (15)</u>

e. Gain (loss) on foreign currency exchange

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Foreign exchange gain	\$ 261,317	\$ 4,103	\$ 539,896	\$ 259,908
Foreign exchange loss	<u>(145,618)</u>	<u>(10,611)</u>	<u>(665,413)</u>	<u>(22,313)</u>
Net profit (loss)	<u>\$ 115,699</u>	<u>\$ (6,508)</u>	<u>\$ (125,517)</u>	<u>\$ 237,595</u>

f. Gain (loss) on disposal of investment

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Total gain on disposal of investment	\$ 939	\$ 1,291	\$ 8,213	\$ 2,583
Total loss on disposal of investment	<u>(1,741)</u>	<u>(285)</u>	<u>(1,741)</u>	<u>(1,245)</u>
Net profit (loss)	<u>\$ (802)</u>	<u>\$ 1,006</u>	<u>\$ 6,472</u>	<u>\$ 1,608</u>

## 22. INCOME TAX

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

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Current tax				
In respect of current period	\$ 1,216,414	\$ 749,936	\$ 2,324,200	\$ 863,906
In respect of prior periods	(230)	-	(230)	(3,645)
Deferred tax				
In respect of current period	<u>(920,101)</u>	<u>(343,844)</u>	<u>(1,382,041)</u>	<u>174,020</u>
Income tax expense recognized in profit or loss	<u>\$ 296,083</u>	<u>\$ 406,092</u>	<u>\$ 941,929</u>	<u>\$ 1,034,281</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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
<u>Deferred tax</u>				
Recognized in other comprehensive income:				
Actuarial losses on defined benefit plan	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$ 25</u>

### c. Integrated income tax

	September 30, 2014	December 31, 2013	September 30, 2013
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 10,002,005</u>	<u>\$ 12,213,958</u>	<u>\$ 9,950,437</u>
Imputation credit account ("ICA")	<u>\$ 405,189</u>	<u>\$ 813,731</u>	<u>\$ 245,641</u>

The creditable ratio for distribution of earnings of 2013 and 2012 were 6.67% 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.

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.

d. Income tax assessment

Income tax returns through 2011, have been examined by the tax authorities.

## 23. EARNINGS PER SHARE

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

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,443,622</u>	<u>\$ 1,977,405</u>	<u>\$ 3,919,154</u>	<u>\$ 5,037,280</u>

### Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Weighted-average number of ordinary shares in computation of basic earnings per share	300,000	300,000	300,000	300,000
Effect of dilutive potential ordinary shares:				
Bonus issue to employee	<u>28</u>	<u>73</u>	<u>132</u>	<u>138</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>300,028</u>	<u>300,073</u>	<u>300,132</u>	<u>300,138</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 nine months ended September 30, 2014 and 2013, the Group entered into the following non-cash investing activities:

	For the Nine Months Ended September 30	
	2014	2013
<u>Investing activities affecting both cash and non-cash transactions</u>		
Increase in property, plant and equipment	\$ 338,009	\$ 331,202
Decrease in trade payables	<u>90,838</u>	<u>651,218</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 428,847</u>	<u>\$ 982,420</u>

## 25. OPERATING LEASE AGREEMENTS

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

	September 30, 2014	December 31, 2013	September 30, 2013
No later than 1 year	\$ 2,508	\$ 2,508	\$ 2,508
Later than 1 year and not later than 5 years	<u>4,598</u>	<u>6,479</u>	<u>7,106</u>
	<u>\$ 7,106</u>	<u>\$ 8,987</u>	<u>\$ 9,614</u>

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that each enterprise within the Group, under going concern assumption, is able to maximize the return to stockholders by 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 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; 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).

September 30, 2014

	<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>\$ 605,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605,621</u>

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>

September 30, 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>\$ 261,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,806</u>

There were no transfers between Levels 1, 2 and 3 in the current and prior periods.

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

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

b. Categories of financial instruments

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Held for trading	\$ 605,621	\$ 434,741	\$ 261,806
Loans and receivables (Note 1)	14,671,395	16,821,679	16,469,147
<u>Financial liabilities</u>			
Amortized cost (Note 2)	5,152,565	5,106,211	5,278,899

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 borrowings, notes payable, trade payables, and part of other payables and long-term borrowings.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, 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.

	<b>RMB</b>		<b>U.S. Dollar</b>		<b>Japan Yen</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Gain (loss)	\$ (565,793)	\$ (756,683)	\$ (37,818)	\$ (10,938)	\$ (1,816)	\$ (2,784)

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:

	September 30, 2014	December 31, 2013	September 30, 2013
Fair value interest rate risk			
Financial assets	\$ 6,759,971	\$ 12,742,990	\$ 10,563,507
Financial liabilities	3,630,000	3,630,000	3,630,000
Cash flows interest rate risk			
Financial assets	5,303,155	3,397,264	2,585,841

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 nine months ended September 30, 2014 would decrease/increase by \$9,943 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 nine months ended September 30, 2013 would decrease/increase by \$4,848 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 69%, 50% and 78% in total trade receivables as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively, was related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2014, December 31, 2013 and September 30, 2013, the available unutilized short-term borrowing facilities were \$2,070,000 thousand, \$370,000 thousand and \$370,000 thousand, respectively.

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

September 30, 2014

	<b>Weighted- average Effective Interest Rate (%)</b>	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>12 to 24 Months</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 1,310,645	\$ 70,805	\$ 139,822	\$ -
Bank borrowings	1.09	<u>634,383</u>	<u>2,003,280</u>	<u>1,008,572</u>	<u>-</u>
		<u>\$ 1,945,028</u>	<u>\$ 2,074,085</u>	<u>\$ 1,148,394</u>	<u>\$ -</u>

December 31, 2013

	<b>Weighted- average Effective Interest Rate (%)</b>	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>12 to 24 Months</b>
<u>Financial liabilities - non-derivative</u>					
Non-interest bearing	-	\$ 970,731	\$ 292,470	\$ 211,544	\$ -
Bank borrowings	1.08	<u>631,466</u>	<u>2,006,287</u>	<u>10,125</u>	<u>1,008,544</u>
		<u>\$ 1,602,197</u>	<u>\$ 2,298,757</u>	<u>\$ 221,669</u>	<u>\$ 1,008,544</u>

September 30, 2013

	<b>Weighted- average Effective Interest Rate (%)</b>	<b>Within One Month</b>	<b>1 to 3 Months</b>	<b>3 to 12 Months</b>	<b>12 to 24 Months</b>
<u>Financial liabilities - non-derivative</u>					
Non-interest bearing	-	\$ 1,302,581	\$ 150,733	\$ 195,585	\$ -
Bank borrowings	1.08	<u>-</u>	<u>2,637,126</u>	<u>10,125</u>	<u>1,012,375</u>
		<u>\$ 1,302,581</u>	<u>\$ 2,787,859</u>	<u>\$ 205,710</u>	<u>\$ 1,012,375</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related parties

Related Party	Relationship with the Group
Investors that have significant influence over the Group	
Nissan Motor Corporation (“Nissan”)	Equity-method investor of the Company
Yulon Motor Co., Ltd. (“Yulon”)	Same as above
Other parties	
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Motor India Private Limited	Same as above
Nissan Mexicana, S.A. De C. V.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Same as above
PT Nissan Motor Distribution Indonesia	Same as above
Nissan North America, Inc.	Same as above
Nissan Vietnam Co., Ltd.	Substantial related party of Nissan
Nissan Motors Co., Ltd Honmoku Plant	Same as above
Nissan Philippines Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Allied Engineering Co., Ltd.	Same as above
Carnival Textile Industrial Corporation	Substantial related party of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yu Ching Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
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
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Substantial related party of Yulon
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Le-Wen Co., Ltd.	Same as above
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
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	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.
Y.M.Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation
	(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 other parties were disclosed below:

1) Trading transactions

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Sales</u>				
Investors that have significant influence over the Group	\$ 5,383	\$ 2,330	\$ 9,543	\$ 6,923
Other parties	<u>7,957,648</u>	<u>7,798,793</u>	<u>25,897,930</u>	<u>21,908,522</u>
	<u>\$ 7,963,031</u>	<u>\$ 7,801,123</u>	<u>\$ 25,907,473</u>	<u>\$ 21,915,445</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Service revenue</u>				
Investors that have significant influence over the Group	\$ 138	\$ 6,233	\$ 1,176	\$ 10,820
Other parties	<u>-</u>	<u>-</u>	<u>6,656</u>	<u>-</u>
	<u>\$ 138</u>	<u>\$ 6,233</u>	<u>\$ 7,832</u>	<u>\$ 10,820</u>

Other operating revenue

Investors that have significant influence over the Group	\$ 3,778	\$ 3,405	\$ 12,772	\$ 13,016
Other parties	<u>17,795</u>	<u>4,738</u>	<u>21,279</u>	<u>14,048</u>
	<u>\$ 21,573</u>	<u>\$ 8,143</u>	<u>\$ 34,051</u>	<u>\$ 27,064</u>

The Company designs and performs R&D of cars for investors with significant influence over the Group, and service revenue is recognized according to the related contracts. Service revenue also arose from technical support provided by Jetford to other parties.

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Operating cost - purchase</u>				
Investors that have significant influence over the Group	\$ 6,704,674	\$ 6,405,381	\$ 22,061,940	\$ 17,815,417
Other parties	<u>60,709</u>	<u>12,000</u>	<u>97,208</u>	<u>31,123</u>
	<u>\$ 6,765,383</u>	<u>\$ 6,417,381</u>	<u>\$ 22,159,148</u>	<u>\$ 17,846,540</u>

Operating cost - TCA

Investors that have significant influence over the Group	\$ 119,587	\$ 110,526	\$ 415,296	\$ 338,976
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Operating expense - rental

Investors that have significant influence over the Group	\$ 3,675	\$ 2,681	\$ 9,458	\$ 8,833
Other parties	<u>3,477</u>	<u>3,918</u>	<u>9,296</u>	<u>11,011</u>
	<u>\$ 7,152</u>	<u>\$ 6,599</u>	<u>\$ 18,754</u>	<u>\$ 19,844</u>

The Company's cost of 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>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Selling and marketing expenses</u>				
Investors that have significant influence over the Group	\$ 8,046	\$ 10,104	\$ 28,807	\$ 22,052
Other parties	<u>355,398</u>	<u>355,923</u>	<u>1,120,131</u>	<u>1,207,587</u>
	<u>\$ 363,444</u>	<u>\$ 366,027</u>	<u>\$ 1,148,938</u>	<u>\$ 1,229,639</u>
<u>General and administrative expenses</u>				
Investors that have significant influence over the Group	\$ 2,892	\$ 7,541	\$ 6,901	\$ 13,239
Other parties	<u>44,787</u>	<u>46,123</u>	<u>138,316</u>	<u>139,843</u>
	<u>\$ 47,679</u>	<u>\$ 53,664</u>	<u>\$ 145,217</u>	<u>\$ 153,082</u>
<u>Research and development expenses</u>				
Investors that have significant influence over the Group	\$ 38,617	\$ 21,190	\$ 63,100	\$ 62,823
Other parties	<u>6,250</u>	<u>221</u>	<u>21,753</u>	<u>19,734</u>
	<u>\$ 44,867</u>	<u>\$ 21,411</u>	<u>\$ 84,853</u>	<u>\$ 82,557</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>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Other parties	<u>\$ 52,490</u>	<u>\$ 37,044</u>	<u>\$ 117,168</u>	<u>\$ 85,276</u>



2) Non-operating transactions

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Other revenue</u>				
Investors that have significant influence over the Group	\$ 35	\$ 802	\$ 151	\$ 1,122
Other parties	<u>-</u>	<u>105</u>	<u>-</u>	<u>141</u>
	<u>\$ 35</u>	<u>\$ 907</u>	<u>\$ 151</u>	<u>\$ 1,263</u>
<u>Overseas business expenses</u>				
Other parties	<u>\$ 1,093</u>	<u>\$ 3,618</u>	<u>\$ 11,517</u>	<u>\$ 12,453</u>
<u>Other losses</u>				
Investors that have significant influence over the Group	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 20</u>	<u>\$ 23</u>

3) The following balances of the receivables from related parties were outstanding at the end of the reporting period:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Notes receivable</u>			
Other parties	<u>\$ 2,109</u>	<u>\$ 2,312</u>	<u>\$ 2,382</u>
<u>Trade receivables</u>			
Investors that have significant influence over the Group	\$ 27,758	\$ 40,837	\$ 14,517
Other parties	<u>535,272</u>	<u>245,359</u>	<u>607,540</u>
	<u>\$ 563,030</u>	<u>\$ 286,196</u>	<u>\$ 622,057</u>

4) The following balances of the payables to related parties were outstanding at the end of the reporting period:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Notes payable</u>			
Investors that have significant influence over the Group	<u>\$ -</u>	<u>\$ 1,536</u>	<u>\$ -</u>
<u>Trade payables</u>			
Investors that have significant influence over the Group	\$ 687,665	\$ 659,922	\$ 1,054,333
Other parties	<u>241,872</u>	<u>413,170</u>	<u>318,404</u>
	<u>\$ 929,537</u>	<u>\$ 1,073,092</u>	<u>\$ 1,372,737</u>

5) The balances of refundable deposits were as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Investors that have significant influence over the Group	\$ 569,289	\$ 174,432	\$ 50,000
Other parties	<u>47,977</u>	<u>59,284</u>	<u>46,343</u>
	<u>\$ 617,266</u>	<u>\$ 233,716</u>	<u>\$ 96,343</u>

c. Compensation of key management personnel:

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Short-term employee benefit	\$ 11,349	\$ 11,909	\$ 34,210	\$ 30,692
Post-employment benefit	<u>518</u>	<u>414</u>	<u>1,552</u>	<u>1,176</u>
	<u>\$ 11,867</u>	<u>\$ 12,323</u>	<u>\$ 35,762</u>	<u>\$ 31,868</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 accounts receivable which amounted to \$1,535,223 thousand and \$1,488,156 thousand in the nine months ended September 30, 2014 and 2013, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$845 thousand and \$880 thousand for the nine months ended September 30, 2014 and 2013, respectively.
- 2) The Company bought other equipment \$769 thousand from Singgual Technology Co., Ltd. for the nine months ended September 30, 2013 were recorded under property, plant and equipment.
- 3) The Company had sold property, plant and equipment to related-party for the nine months ended September 30, 2014 were summarized as follows:

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

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

The molds contracts are valid from the date of the contract to the end of production of the car model. The contract amount is \$790,155 thousand (excluding of tax) and the installment payments will be disbursed according to the progress under the contract schedule. The types of car parts have not been produced until the end of September 2014. The Company had already paid \$681,226 thousand (recognized as property, plant, and equipment). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year with the amount of \$2.6 for every ten thousand of the accumulated amounts paid for molds in prior year.

## 29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2014 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service. As of September 30, 2014, both parties did not receive a termination notice, so the contract automatically extended.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to September 30, 2014, no buy-back of vehicles has occurred.
- c. Unrecognized commitments

	September 30, 2014	December 31, 2013	September 30, 2013
Acquisition of property, plant, and equipment	\$ 231,800	\$ 289,990	\$ 466,705
Acquisition of computer software	<u>1,494</u>	<u>1,331</u>	<u>2,214</u>
	<u>\$ 233,294</u>	<u>\$ 291,321</u>	<u>\$ 468,919</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 Currencies)

September 30, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,599,898	4.9340 (RMB:NTD)	\$ 7,893,897
RMB	692,249	0.1625 (RMB:USD)	3,421,960
USD	24,864	30.420 (USD:NTD)	756,365
JPY	132,851	0.2780 (JPY:NTD)	36,933

Financial liabilities

Monetary items			
JPY	2,220	0.2780 (JPY:NTD)	617

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 item			
JPY	919	0.2839 (JPY:NTD)	261

September 30, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,475,273	0.1627 (RMB:USD)	\$ 11,905,320
RMB	671,313	4.8090 (RMB:NTD)	3,228,345
USD	7,398	29.570 (USD:NTD)	218,758
JPY	185,491	0.3021 (JPY:NTD)	56,037

Financial liabilities

Monetary items			
JPY	1,202	0.3021 (JPY:NTD)	363

### 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 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 Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Vehicle segment	\$ 23,698,904	\$ 19,818,026	\$ 584,072	\$ 1,056,558
Part segment	2,642,472	2,528,672	464,274	471,280
Investment segment	-	-	4,093,740	4,144,474
Other segment	<u>45,948</u>	<u>55,439</u>	<u>(438,378)</u>	<u>(67,119)</u>
	<u>\$ 26,387,324</u>	<u>\$ 22,402,137</u>	4,703,708	5,605,193
Interest income			315,820	243,450
Gain on disposal of investment, net			6,472	1,608
Gain on valuation of financial assets			4,209	1,158
Gain (loss) on disposal of property, plant, and equipment, net			1,131	(15)
Foreign exchange gain (loss), net			(125,517)	237,595
Interest expense			(33,040)	(6,128)
Central administration cost and directors' compensation			<u>(11,700)</u>	<u>(11,300)</u>
Profit before tax			<u>\$ 4,861,083</u>	<u>\$ 6,071,561</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the nine months ended September 30, 2014 and 2013.

Segment profit represents the profit earned by each segment, excluding the allocation of interest income, gain on disposal of investment, net, gain on valuation of financial assets, gain (loss) on disposal of property, plant, and equipment, net, foreign exchange gain (loss), net, interest expense and 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

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Segment assets</u>			
Continuing operations			
Vehicle segment	\$ 1,710,406	\$ 1,710,369	\$ 1,639,028
Part segment	1,853	2,532	2,661
Investment segment	14,462,901	14,989,267	12,654,231
Other segment	<u>38,589</u>	<u>35,703</u>	<u>30,872</u>
	16,213,749	16,737,871	14,326,792
Unallocated assets	<u>16,498,677</u>	<u>18,581,094</u>	<u>18,017,059</u>
Consolidated total assets	<u>\$ 32,712,426</u>	<u>\$ 35,318,965</u>	<u>\$ 32,343,851</u>

**TABLE 1**

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

**HOLDING OF SECURITIES AT THE END OF THE PERIOD**  
**SEPTEMBER 30, 2014**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	SEPTEMBER 30, 2014				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>							
	Paradigm Pion Money Market	-	Financial assets at fair value through profit or loss	13,237	\$ 150,000	-	\$ 150,122	-
	Yuanta RMB Money Market	-	Financial assets at fair value through profit or loss	9,821	100,000	-	101,121	-
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss	8,520	100,000	-	100,077	-
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	80,000	-	80,617	-
	PineBridge Global Multi-Strategy High Yield Bond Fund	-	Financial assets at fair value through profit or loss	5,604	69,412	-	71,446	-
	FSITC Global High Yield Bond	-	Financial assets at fair value through profit or loss	2,137	30,000	-	30,780	-
	Allianz Gbl Inv Gbl Biotech	-	Financial assets at fair value through profit or loss	611	20,000	-	20,263	-
	Yuanta Global REITs Fund	-	Financial assets at fair value through profit or loss	1,770	20,000	-	19,752	-
	ING Global Biotech & Health Care	-	Financial assets at fair value through profit or loss	667	10,000	-	10,027	-
	Capital OTC	-	Financial assets at fair value through profit or loss	121	8,000	-	7,554	-
	Capital Chinese Golden Age Equity	-	Financial assets at fair value through profit or loss	469	5,000	-	4,991	-
	Franklin Templeton SinoAm New World Fund	-	Financial assets at fair value through profit or loss	395	5,000	-	4,960	-
	Cathay Cathay	-	Financial assets at fair value through profit or loss	222	4,000	-	3,911	-

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 September 30, 2014.



**TABLE 2**

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNT TO AT LEASE NT\$100 MILLION OR 20% OF PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014  
(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	\$ 22,040,764	98	5 days after sales for parts	\$ -	-	\$ (525,076)	(52)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	23,572,196	89	3 days after sales for vehicles	-	-	397,156	62	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon	Sale	282,224	1	4 days after sales for parts	-	-	4,074	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	268,637	1	3 days after sales for vehicles	-	-	4,711	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	241,029	1	15 days after sales for parts	-	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon	Sale	213,248	1	Immediate payment for vehicles	-	-	-	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon	Sale	206,442	1	15 days after sales for parts	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	193,148	1	Same as above	-	-	3,507	1	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	174,171	1	15 days after sales for parts	-	-	3,834	1	-
	Chen Long Co., Ltd.	Equity-method investee of Yulon	Sale	170,578	1	Immediate payment for vehicles	-	-	3,613	1	-
	Chi Ho Corporation	Equity-method investee of Yulon	Sale	127,529	-	Same as above	-	-	-	-	-
						15 days after sales for parts	-	-	-	-	-
						Immediate payment for vehicles					

Note 1: Transaction terms are based on agreements.

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

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

**TABLE 3**

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

**TRADE RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20 PERCENT OF PAID-IN CAPITAL OR MORE  
SEPTEMBER 30, 2014  
(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 receivables \$ 396,881 Other receivables 27,257	111.11	\$ -	-	\$ 396,881 27,257	\$ -

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 NINE MONTHS ENDED SEPTEMBER 30, 2014**  
**(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of SEPTEMBER 30, 2014			Net Income of the Investee	Investment Gain (Loss) (Note 1)	Note
				September 30, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$ 20,270,844	\$ 4,100,081	\$ 4,100,081	Notes 2 and 3
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 666,149	US\$ 133,808	US\$ 133,808	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\$ 81,777	US\$ 42,064	US\$ 6,627	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\$ 56,617	US\$ 2,802	US\$ 928	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\$ 320,915	US\$ 322,217	US\$ 128,887	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\$ 15,944	US\$ 1,919	US\$ 863	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\$ 187	US\$ (1,943)	US\$ (952)	Note 2

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

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

Note 3: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND BETWEEN EACH SUBSIDIARY, AND THE CIRCUMSTANCES AND AMOUNTS OF ANY SIGNIFICANT TRANSACTIONS BETWEEN THEM  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Consolidated Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	\$ 6,385	-	-

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****INVESTMENT IN MAINLAND CHINA****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014****(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)**

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2014	Accumulated Inward Remittance of Earnings as of September 30, 2014
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	\$ 1,267,276 (US\$ 42,064)	16.55	\$ 199,649 (US\$ 6,627)	\$ 2,487,654 (US\$ 81,777)	\$ 876,623 (US\$ 28,078)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US\$ 16,812)	-	-	533,109 (US\$ 16,812)	84,424 (US\$ 2,802)	33.12	27,961 (US\$ 928)	1,722,302 (US\$ 56,617)	4,597,012 (US\$ 148,224)
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)	9,707,596 (US\$ 322,217)	40.00	3,883,038 (US\$ 128,887)	9,762,229 (US\$ 320,915)	10,914,750 (US\$ 355,880)
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	57,803 (US\$ 1,919)	45.00	26,012 (US\$ 863)	485,016 (US\$ 15,944)	-
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)	(58,551) (US\$ -1,943)	49.00	(28,690) (US\$ -952)	5,700 (US\$ 187)	-

Accumulated Investment in Mainland China as of September 30, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$14,024,014

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

Note 2: The carrying values and related investment income of the equity investment were calculated based on the reviewed 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.