

**Yulon Nissan Motor Company, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2011 and 2010 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

March 23, 2012

### Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD.

## BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 743,912	3	\$ 677,127	3	Notes and accounts payable	\$ 144,530	1	\$ 81,519	1
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,262,001	9	2,110,748	10	Notes and accounts payable - related parties (Note 19)	1,570,613	6	1,075,697	5
Notes and accounts receivable (Notes 2 and 6)	22,417	-	26,459	-	Income tax payable (Notes 2 and 15)	213,238	1	50,985	-
Notes and accounts receivable - related parties (Note 19)	538,107	3	323,605	2	Accrued expenses (Note 12)	559,928	2	486,463	2
Other financial assets (Note 7)	452,645	2	613,956	3	Warranty (Note 2)	53,755	-	52,476	-
Inventories (Notes 2 and 8)	1,793	-	1,016	-	Other current liabilities	<u>156,508</u>	<u>1</u>	<u>95,577</u>	<u>1</u>
Prepayments	33,635	-	4,566	-	Total current liabilities	<u>2,698,572</u>	<u>11</u>	<u>1,842,717</u>	<u>9</u>
Deferred income tax assets, net (Notes 2 and 15)	34,120	-	106,970	1	<b>OTHER LIABILITIES</b>				
Other current asset	<u>415</u>	<u>-</u>	<u>-</u>	<u>-</u>	Accrued pension liabilities (Notes 2 and 16)	469,180	2	449,586	2
Total current assets	<u>4,089,045</u>	<u>17</u>	<u>3,864,447</u>	<u>19</u>	Deferred income tax liabilities, net (Notes 2 and 15)	1,836,821	8	1,239,308	6
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>19,069,822</u>	<u>77</u>	<u>15,402,999</u>	<u>74</u>	Warranty (Note 2)	<u>87,599</u>	<u>-</u>	<u>54,678</u>	<u>-</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)</b>					Total other liabilities	<u>2,393,600</u>	<u>10</u>	<u>1,743,572</u>	<u>8</u>
Cost					Total liabilities	<u>5,092,172</u>	<u>21</u>	<u>3,586,289</u>	<u>17</u>
Machinery and equipment	21,135	-	21,135	-	<b>STOCKHOLDERS' EQUITY</b>				
Transportation equipment	4,290	-	4,290	-	Capital stock - \$10.00 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>12</u>	<u>3,000,000</u>	<u>15</u>
Tools	5,694	-	5,694	-	Capital surplus				
Computer equipment	83,468	-	79,608	1	Excess from spin-off	5,986,507	24	5,986,507	29
Other equipment	83,639	1	76,930	-	Gains on long-term investments	<u>2,461</u>	<u>-</u>	<u>2,461</u>	<u>-</u>
Leasehold improvement	<u>5,763</u>	<u>-</u>	<u>4,559</u>	<u>-</u>	Total capital surplus	<u>5,988,968</u>	<u>24</u>	<u>5,988,968</u>	<u>29</u>
Total cost	203,989	1	192,216	1	Retained earnings				
Less: Accumulated depreciation	<u>167,014</u>	<u>1</u>	<u>154,175</u>	<u>1</u>	Legal reserve	1,381,683	6	1,093,293	5
	36,975	-	38,041	-	Special reserve	379,840	1	379,840	2
Prepayments for equipment	<u>191</u>	<u>-</u>	<u>2,799</u>	<u>-</u>	Unappropriated earnings	<u>8,348,839</u>	<u>34</u>	<u>6,485,664</u>	<u>31</u>
Property, plant and equipment, net	<u>37,166</u>	<u>-</u>	<u>40,840</u>	<u>-</u>	Total retained earnings	<u>10,110,362</u>	<u>41</u>	<u>7,958,797</u>	<u>38</u>
<b>OTHER ASSETS</b>					Cumulative translation adjustments	<u>464,154</u>	<u>2</u>	<u>217,579</u>	<u>1</u>
Refundable deposits (Note 19)	19,650	-	2,680	-	Total stockholders' equity	<u>19,563,484</u>	<u>79</u>	<u>17,165,344</u>	<u>83</u>
Deferred charges (Notes 2, 11 and 19)	<u>1,439,973</u>	<u>6</u>	<u>1,440,667</u>	<u>7</u>	<b>TOTAL</b>	<b>\$ 24,655,656</b>	<b>100</b>	<b>\$ 20,751,633</b>	<b>100</b>
Total other assets	<u>1,459,623</u>	<u>6</u>	<u>1,443,347</u>	<u>7</u>					
<b>TOTAL</b>	<b>\$ 24,655,656</b>	<b>100</b>	<b>\$ 20,751,633</b>	<b>100</b>					

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
SALES (Note 19)	\$ 32,124,700	100	\$ 27,464,636	100
LESS: SALES RETURNS	6,449	-	4,978	-
SALES ALLOWANCES	<u>2,900</u>	<u>-</u>	<u>3,962</u>	<u>-</u>
NET SALES	32,115,351	100	27,455,696	100
COST OF SALES (Note 19)	<u>27,380,203</u>	<u>85</u>	<u>23,671,057</u>	<u>86</u>
GROSS PROFIT	<u>4,735,148</u>	<u>15</u>	<u>3,784,639</u>	<u>14</u>
OPERATING EXPENSES (Note 19)				
Marketing and selling	2,696,091	9	2,352,349	9
General and administrative	441,432	1	398,955	1
Research and development	<u>548,586</u>	<u>2</u>	<u>528,026</u>	<u>2</u>
Total operating expenses	<u>3,686,109</u>	<u>12</u>	<u>3,279,330</u>	<u>12</u>
OPERATING INCOME	<u>1,049,039</u>	<u>3</u>	<u>505,309</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	3,420,248	11	2,854,846	11
Gain on sale of molds (Note 19)	150,483	-	-	-
Gain from valuation of financial assets	13,711	-	14,838	-
Foreign exchange gain, net	5,798	-	-	-
Interest income	1,134	-	772	-
Gain on sale of investments, net	-	-	25,380	-
Others (Note 19)	<u>53,000</u>	<u>-</u>	<u>39,721</u>	<u>-</u>
Total nonoperating income and gains	<u>3,644,374</u>	<u>11</u>	<u>2,935,557</u>	<u>11</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 19)	49,632	-	61,924	1
Loss on sale of investments, net	38,088	-	-	-
Interest expense (Note 19)	1,188	-	1,262	-
Loss on disposal of property, plant and equipment	71	-	603	-
Foreign exchange loss, net	-	-	13,202	-
Others (Note 19)	<u>6,527</u>	<u>-</u>	<u>19,671</u>	<u>-</u>
Total nonoperating expenses and losses	<u>95,506</u>	<u>-</u>	<u>96,662</u>	<u>1</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 4,597,907	14	\$ 3,344,204	12
INCOME TAX EXPENSES (Notes 2 and 15)	<u>766,342</u>	<u>2</u>	<u>460,306</u>	<u>2</u>
NET INCOME	<u>\$ 3,831,565</u>	<u>12</u>	<u>\$ 2,883,898</u>	<u>10</u>
	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 15.33</u>	<u>\$ 12.77</u>	<u>\$ 11.15</u>	<u>\$ 9.61</u>
Diluted	<u>\$ 15.30</u>	<u>\$ 12.75</u>	<u>\$ 11.13</u>	<u>\$ 9.60</u>

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

(Concluded)

**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

	Capital Stock		Capital Surplus (Notes 2 and 13)			Retained Earnings (Notes 2 and 13)				Cumulative Translation Adjustments (Notes 2 and 13)	Total Stockholders' Equity
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		
BALANCE, JANUARY 1, 2010	300,000	\$ 3,000,000	\$ 5,986,507	\$ 2,461	\$ 5,988,968	\$1,028,005	\$ 379,840	\$ 3,667,054	\$ 5,074,899	\$ 1,206,273	\$ 15,270,140
Appropriation of 2009 earnings											
Legal reserve	-	-	-	-	-	65,288	-	(65,288)	-	-	-
Net income in 2010	-	-	-	-	-	-	-	2,883,898	2,883,898	-	2,883,898
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(988,694)	(988,694)
BALANCE, DECEMBER 31, 2010	300,000	3,000,000	5,986,507	2,461	5,988,968	1,093,293	379,840	6,485,664	7,958,797	217,579	17,165,344
Appropriation of 2010 earnings											
Legal reserve	-	-	-	-	-	288,390	-	(288,390)	-	-	-
Cash dividends - \$5.6 per share	-	-	-	-	-	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
Net income in 2011	-	-	-	-	-	-	-	3,831,565	3,831,565	-	3,831,565
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	246,575	246,575
BALANCE, DECEMBER 31, 2011	<u>300,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 2,461</u>	<u>\$ 5,988,968</u>	<u>\$1,381,683</u>	<u>\$ 379,840</u>	<u>\$ 8,348,839</u>	<u>\$10,110,362</u>	<u>\$ 464,154</u>	<u>\$ 19,563,484</u>

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,831,565	\$ 2,883,898
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	485,841	591,736
Loss (gain) on sale of investments, net	38,088	(25,380)
Equity in net income of investees	(3,420,248)	(2,854,846)
Gain from valuation of financial assets	(13,711)	(14,838)
Loss on disposal of property, plant and equipment, net	71	603
Deferred income taxes	670,363	472,937
Provision for pension costs	19,594	25,134
Provision for loss on inventory purchase commitment	57,785	30,028
Provision for warranty liabilities	34,200	37,055
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(175,630)	(940,940)
Notes and accounts receivable	4,042	2,859
Notes and accounts receivable - related parties	(214,502)	74,131
Other financial assets	161,311	(560,090)
Inventories	(777)	(122)
Prepayments	(29,069)	(1,648)
Other current assets	(415)	36,632
Notes and accounts payable	63,011	78,542
Notes and accounts payable - related parties	494,916	241,609
Income tax payable	162,253	(22,429)
Accrued expenses	73,465	174,185
Other current liabilities	<u>3,146</u>	<u>1,987</u>
Net cash provided by operating activities	<u>2,245,299</u>	<u>231,043</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(12,455)	(8,847)
Decrease (increase) in refundable deposits	(16,970)	4,680
Increase in deferred charges	<u>(469,089)</u>	<u>(240,507)</u>
Net cash used in investing activities	<u>(498,514)</u>	<u>(244,674)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividend paid	<u>(1,680,000)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	66,785	(13,631)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>677,127</u>	<u>690,758</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 743,912</u>	<u>\$ 677,127</u>

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**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

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	<b>2011</b>	<b>2010</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for		
Interest	<u>\$ 1,193</u>	<u>\$ 1,256</u>
Income tax	<u>\$ 77,075</u>	<u>\$ 9,834</u>

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

(Concluded)



# YULON NISSAN MOTOR COMPANY, LTD.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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### 1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2011 and 2010, the Company had 425 and 408 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

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

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

#### **Foreign-currency Transactions**

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

- a. Long-term equity investments are treated as cumulative translation adjustment under stockholders’ equity; and
- b. Other assets and liabilities are treated as credits or charges to current year’s income.

#### **Accounting Estimates**

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

## **Current/Noncurrent Assets and Liabilities**

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

### **Cash Equivalent**

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

### **Financial Instruments at Fair Value Through Profit or Loss**

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

Financial instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value with the changes in fair value recognized in earnings. Cash dividends received (including in the first year of investments) are recognized as income. A regular purchase or sale of financial assets is recognized and derecognized using settlement date accounting.

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

### **Impairment of Accounts Receivable**

Before January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivable. On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account.

### **Inventories**

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

## **Long-term Equity Investments**

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

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

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

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

## **Property, Plant and Equipment**

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

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

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

## **Deferred Charges**

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

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

## **Warranty**

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

## **Pensions**

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

## **Income Tax**

The Company accounts for income tax using the asset and liability method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if available evidence indicates it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

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

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

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

## **Revenue Recognition**

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

### **3. REASON AND EFFECT OF THE CHANGES IN ACCOUNTING PRINCIPLE**

#### **Accounting for Financial Instruments**

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision is loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no effect on the Company's net income and after income tax basic earnings per share for the year ended December 31, 2011.

#### **Disclosure of Operating Segments**

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 "Segment Reporting." For this accounting change, the Company disclosed the segment information in the consolidated financial statements as of and for the year ended December 31, 2011.

#### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	430,283	329,183
Time deposits, annual yield rate - 2011: 0.87%-0.94%; 2010: 0.50%-0.70%	154,000	101,500
Foreign-currency demand deposits	<u>159,609</u>	<u>234,636</u>
	743,912	665,339
Cash equivalents		
Foreign commercial papers, annual yield rate - 2010: 1.50%	<u>-</u>	<u>11,788</u>
	<u>\$ 743,912</u>	<u>\$ 677,127</u>

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

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Financial assets held for trading		
Mutual funds	<u>\$ 2,262,001</u>	<u>\$ 2,110,748</u>

Net gain (loss) on financial assets held for trading in 2011 and 2010 was \$(24,377) thousand and \$40,218 thousand, respectively.

#### 6. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Notes receivable	\$ 430	\$ 256
Accounts receivable	<u>21,987</u>	<u>26,203</u>
	<u>\$ 22,417</u>	<u>\$ 26,459</u>

#### 7. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<b>2011</b>	<b>2010</b>
Receivable on sale of securities	\$ 437,949	\$ 576,039
Tax refund receivable	2,088	33,339
Interest receivable	31	89
Others	<u>12,577</u>	<u>4,489</u>
	<u>\$ 452,645</u>	<u>\$ 613,956</u>

## 8. INVENTORIES

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Parts	\$ <u>1,793</u>	\$ <u>1,016</u>

The cost of inventories recognized as cost of sales in 2011 was \$27,380,203 thousand, which included warranty cost of \$82,211 thousand and loss on inventory purchase commitment of \$57,785 thousand. The cost of inventories recognized as cost of sales in 2010 was \$23,671,057 thousand, which included warranty cost of \$114,932 thousand and loss on inventory purchase commitment of \$30,028 thousand.

## 9. LONG-TERM EQUITY INVESTMENTS

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>19,069,822</u>	100	\$ <u>15,402,999</u>	100

Through Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.), the Company indirectly owns the following companies:

<u>Investee</u>	<u>Percentage of Ownership</u>	<u>Accumulated Investment Amount (In Thousands) as of December 31, 2011</u>
Aeolus Xiangfan Automobile Co., Ltd.	16.55	US\$ 21,700
Guangzhou Aeolus Automobile Co., Ltd.	40.00	16,941
Aeolus Automobile Co., Ltd.	25.00	10,890
Shenzhen Lan You Technology Co., Ltd.	45.00	1,125
Dong Feng Yulon Used Cars Co., Ltd.	49.00	<u>593</u>
		<u>US\$ 51,249</u>

Jet Ford, Inc. (subsidiary of Yi-Jan Overseas Investment Co., Ltd.) sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd. for US\$7,711 thousand (RMB49,000 thousand) in November 2011 and the gain on the sale of investments was US\$1,824 thousand.

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

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Accumulated depreciation		
Machinery and equipment	\$ 17,282	\$ 16,560
Transportation equipment	3,983	3,792
Tools	4,435	3,801
Computer equipment	70,098	64,629
Other equipment	67,650	63,399
Leasehold improvement	<u>3,566</u>	<u>1,994</u>
	<u>\$ 167,014</u>	<u>\$ 154,175</u>

Depreciation of property, plant and equipment amounted to \$16,058 thousand in 2011 and \$16,944 thousand in 2010.

## 11. DEFERRED CHARGES

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Molds	\$ 1,178,416	\$ 1,146,798
Dies	248,817	277,769
Computer software	<u>12,740</u>	<u>16,100</u>
	<u>\$ 1,439,973</u>	<u>\$ 1,440,667</u>

Amortization of deferred charges amounted to \$469,783 thousand and \$574,792 thousand in 2011 and 2010, respectively.

## 12. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Wages and bonuses	\$ 270,500	\$ 261,878
Promotion expenses	165,257	122,464
Others	<u>124,171</u>	<u>102,121</u>
	<u>\$ 559,928</u>	<u>\$ 486,463</u>

## 13. STOCKHOLDERS' EQUITY

### a. Capital stock

The registered capital was \$6,000,000 thousand and issued and outstanding shares amounted to \$3,000,000 thousand.

b. Capital surplus

Under the ROC Company Law, capital surplus can only be used to offset deficit. However, the capital surplus from shares issued in excess of par (i.e., excess from spin-off) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term equity investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

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

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

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

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

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2010 was calculated at 2.50% of net income net of the 10% deduction for legal reserve.

If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under the Company Law, legal reserve should be appropriated until the balance equals to the Company's capital. This reserve may only be used to offset deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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



The distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 and the distribution of the 2009 earnings of the Company approved by the stockholders on June 21, 2010 were as follows:

	<u>Appropriation of Earnings</u>		<u>Earnings Per Share</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Legal reserve	\$ 288,390	\$ 65,288		
Cash dividend	1,680,000	-	\$ 5.60	\$ -

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

The cash bonus to employees of \$15,277 thousand for 2009 was approved in stockholders' meeting on June 21, 2010. The approved amount of the cash bonus to employees was not different from the accrual amount of \$15,277 thousand reflected in the financial statements for the year ended December 31, 2009.

As of March 23, 2012, the date of the accompanying independent auditors' report, the appropriations and distribution of the 2011 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2011 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

- d. As of December 31, 2011, the changes in cumulative translation adjustments were as follows:

	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ 217,579	\$ 1,206,273
Reclassified to profit or loss item	(1,009,693)	(62,185)
Recognized in adjustment of equity	<u>1,256,268</u>	<u>(926,509)</u>
Balance, end of year	<u>\$ 464,154</u>	<u>\$ 217,579</u>

#### 14. TECHNICAL COOPERATION AGREEMENT

The Company has a technical cooperation agreement (the "TCA") with Nissan. The TCA requires the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$447,442 thousand in 2011 and \$406,663 thousand in 2010, were recorded under cost of sales.

## 15. INCOME TAX

- a. The reconciliation between income tax expense computed by applying the statutory income tax rate (17%) to income before income tax and income tax payable was as follows:

	2011	2010
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 781,644	\$ 568,515
Add (deduct) tax effects of:		
Permanent differences	13,337	4,688
Temporary differences	(591,554)	(515,566)
Loss carryforwards used	(40,468)	(57,637)
Investment tax credits	(45,093)	(58,759)
Additional tax on retained earnings (10%)	<u>91,551</u>	<u>58,759</u>
Income tax payable	<u>\$ 209,417</u>	<u>\$ -</u>

The balance of the income tax payable shown on the balance sheet as of December 31, 2011 was net of prepaid income tax and included income tax payable of previous years. The balance of the income tax payable shown on the balance sheet as of December 31, 2010 was income tax payable of previous years.

Income tax returns through 2008 had been examined by the tax authorities.

- b. Income tax expense consisted of the following:

	2011	2010
Income tax payable	\$ 209,417	\$ -
Deferred income tax	670,363	472,937
Prior year's income tax adjustments	<u>(113,438)</u>	<u>(12,631)</u>
Income tax expense	<u>\$ 766,342</u>	<u>\$ 460,306</u>

Prior years' income tax adjustments arose from tax exemption from 2004 to 2007 as re-examined by tax authorities.

In May 2010, the Legislative Yuan of the Republic of China passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate to 17%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax benefit or expense.

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

	December 31	
	2011	2010
Current		
Provision for loss on inventory purchase commitment	\$ 21,053	\$ 11,229
Provision for warranty	9,139	8,921
Unrealized foreign exchange loss	3,928	2,969
Investment tax credit	-	45,093
Loss carryforwards	<u>-</u>	<u>38,758</u>
Net deferred income tax assets	<u>\$ 34,120</u>	<u>\$ 106,970</u>

(Continued)

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Noncurrent		
Provision for pension	\$ 79,868	\$ 76,401
Impairment loss difference between financial accounting and taxation	43,954	70,515
Provision for warranty	14,891	9,295
Investment tax credits	2,427	1,001
Equity in net income of overseas subsidiaries	<u>(1,977,961)</u>	<u>(1,396,520)</u>
Net deferred income tax liabilities	<u>\$ (1,836,821)</u>	<u>\$ (1,239,308)</u>
		(Concluded)

The Company has investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries. As of December 31, 2011, the amount of the investment under the plans totaled \$24,268 thousand, with investment tax credits amount of \$2,427 thousand.

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

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Balance of imputation credit account ("ICA")	<u>\$ 219,689</u>	<u>\$ 415,003</u>

The estimated ICA rate for the 2011 earnings as of December 31, 2011 and the actual ICA rate for the 2010 earnings were 5.19% and 4.86%, respectively.

The credit available for allocation to the stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2011 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

## 16. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan were \$11,240 thousand and \$10,094 thousand in 2011 and 2010, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,021 thousand and \$1,823 thousand as of December 31, 2011 and 2010, respectively.

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

The status of the defined benefit pension plan as of and for the years ended December 31, 2011 and 2010 is summarized as follows:

	<b>2011</b>	<b>2010</b>
a. Net pension cost was as follows:		
Service cost	\$ 6,766	\$ 11,296
Interest cost	10,971	10,029
Expected return of pension assets	(106)	(208)
Amortization	<u>12,004</u>	<u>12,004</u>
Net pension cost	<u>\$ 29,635</u>	<u>\$ 33,121</u>
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
b. The reconciliation between the fund status and pension liabilities is summarized as follows:		
Benefit obligations:		
Vested benefit obligation	\$ 211,186	\$ 206,465
Non-vested benefit obligation	<u>196,675</u>	<u>198,352</u>
Accumulated benefit obligation	407,861	404,817
Additional benefits based on future salaries	<u>135,278</u>	<u>143,743</u>
Projected benefit obligation	543,139	548,560
Fair value of plan assets	<u>(5,458)</u>	<u>(2,352)</u>
Funded status	537,681	546,208
Prior service cost	(19,912)	(22,416)
Benefit obligations:		
Unrecognized net transition obligation	(32,521)	(42,021)
Unrecognized net loss	<u>(17,089)</u>	<u>(34,008)</u>
Accrued pension liability	<u>\$ 468,159</u>	<u>\$ 447,763</u>
c. Vested benefits	<u>\$ 276,202</u>	<u>\$ 273,966</u>
d. Actuarial assumptions		
Discount rate	2.00%	2.00%
Rate of salary increase	2.50%	2.50%
Expected rate of return on plan assets	2.00%	2.00%
	<b>2011</b>	<b>2010</b>
e. Contributions and payments		
Contributions	<u>\$ 5,855</u>	<u>\$ 8,278</u>
Payments	<u>\$ 6,187</u>	<u>\$ 13,536</u>

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>2011</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ 1,043	\$ 559,308	\$ 560,351
Labor and health insurance	-	27,651	27,651
Pension	-	39,524	39,524
Other personnel expenses	-	25,589	25,589
	<u>\$ 1,043</u>	<u>\$ 652,072</u>	<u>\$ 653,115</u>
Depreciation	<u>\$ -</u>	<u>\$ 16,058</u>	<u>\$ 16,058</u>
Amortization	<u>\$ 463,283</u>	<u>\$ 6,500</u>	<u>\$ 469,783</u>
	<b>2010</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ 982	\$ 516,921	\$ 517,903
Labor and health insurance	-	25,640	25,640
Pension	-	41,035	41,035
Other personnel expenses	-	22,609	22,609
	<u>\$ 982</u>	<u>\$ 606,205</u>	<u>\$ 607,187</u>
Depreciation	<u>\$ 1,558</u>	<u>\$ 15,386</u>	<u>\$ 16,944</u>
Amortization	<u>\$ 564,226</u>	<u>\$ 10,566</u>	<u>\$ 574,792</u>

## 18. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>			<u>EPS (Dollars)</u>	
	<b>Income Before Income Tax</b>	<b>Net Income</b>	<b>Shares (Denominator) (Thousands)</b>	<b>Income Before Income Tax</b>	<b>Net Income</b>
<u>2011</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 4,597,907	\$ 3,831,565	300,000	<u>\$ 15.33</u>	<u>\$ 12.77</u>
Effect of dilutive potential common stock					
Bonus to employees	-	-	496		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 4,597,907</u>	<u>\$ 3,831,565</u>	<u>300,496</u>	<u>\$ 15.30</u>	<u>\$ 12.75</u>

(Continued)

	<u>Amounts (Numerator)</u>			<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Shares (Denominator) (Thousands)</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2010</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 3,344,204	\$ 2,883,898	300,000	<u>\$ 11.15</u>	<u>\$ 9.61</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>353</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 3,344,204</u>	<u>\$ 2,883,898</u>	<u>300,353</u>	<u>\$ 11.13</u>	<u>\$ 9.60</u>

(Concluded)

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

## 19. RELATED-PARTY TRANSACTIONS

The Company had business transactions with the following related parties:

### a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Nissan Motor Corporation (“Nissan”)	Parent company
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan S.A. (Pty) Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Asia Pacific Pte. Ltd.	Same as above
Nissan Vietnam Co., Ltd.	Equity-method investee of Nissan
Nissan Motors Co., Ltd. Honmoku Plant	Same as above
Ashok Leyland Nissan Vehicles Ltd.	Same as above
Nissan Motor (Thailand) Co., Ltd.	Cost-method investee of Nissan
Allied Engineering Co., Ltd.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Dong Feng Yi Jin Co., Ltd	Equity-method investee of Nissan
Dongfeng Nissan Passenger Vehicle Co.	Same as above

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Yi Hsing Corporation	Same as above
Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Nissan Taiwan 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
Chi Long 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
Luxgen Motor Co., Ltd.	Same as above
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinboum Travel Service Co., Ltd.	Same as above (merged with Andes Travel Service Ltd. in September 2011)
Uni Calsonic Corporation	Equity-method investee of Yulon
Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.)	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
China Motor Corporation	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Hui-Lian Motor Co.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
Sinjang Co., Ltd.	Same as above
Visionary International Consulting Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Chu-Miao Scupio Co., Ltd.	Same as above
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
China Ogihara Corporation	Subsidiary of China Motor Corporation
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Nissan Motor Philippines, Inc. (NMPI)	Equity-method investee of Yulon

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Taiway, Ltd.	Same as above
Ding Long Motor Co., Ltd	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Kian Shen Corporation	Substantial related party of Yulon
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.

(Concluded)

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

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 28,208,372	88	\$ 24,031,493	88
Yuan Lon Motor Co., Ltd.	343,044	1	310,863	1
Chi Ho Corporation	327,618	1	249,653	1
Yu Chang Motor Co., Ltd.	323,246	1	322,467	1
Yu Sing Motor Co., Ltd.	283,632	1	268,671	1
Empower Motor Co., Ltd.	278,924	1	201,575	1
Yushin Motor Co., Ltd.	217,673	1	192,841	1
Chen Long Co., Ltd.	217,136	1	208,282	1
Hui-Lian Motor Co., Ltd.	214,065	1	194,106	1
Yu Tang Motor Co., Ltd.	211,013	-	191,514	-
Nissan Motor Egypt S.A.E.	154,768	-	187,587	-
NMPI	79,131	-	94,752	-
Sin Etke Technology Co., Ltd.	68,602	-	47,272	-
Others	<u>599,732</u>	<u>2</u>	<u>429,955</u>	<u>2</u>
	<u>\$ 31,526,956</u>	<u>98</u>	<u>\$ 26,931,031</u>	<u>98</u>
2) Operating revenue - service revenue				
Nissan	<u>\$ 11,354</u>	<u>100</u>	<u>\$ 15,805</u>	<u>100</u>

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



	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
3) Operating revenue - other				
Yulon	\$ 39,197	71	\$ 23,631	43
Zhengzhou Nissan Automobile Co., Ltd.	11,227	20	20,557	38
Hua-Chuang Automobile Information Technical Center Co., Ltd.	4,021	7	5,531	10
Others	<u>730</u>	<u>1</u>	<u>1,016</u>	<u>2</u>
	<u>\$ 55,175</u>	<u>99</u>	<u>\$ 50,735</u>	<u>93</u>

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

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
4) Operating cost - purchase				
Yulon	\$ 26,193,323	99	\$ 22,425,521	99
Others	<u>73,553</u>	<u>-</u>	<u>72,741</u>	<u>-</u>
	<u>\$ 26,266,876</u>	<u>99</u>	<u>\$ 22,498,262</u>	<u>99</u>
5) Operating cost - Technical Cooperation Agreement ("TCA")				
Nissan	<u>\$ 447,442</u>	<u>100</u>	<u>\$ 406,663</u>	<u>100</u>
6) Operating expenses - rental				
Yulon	\$ 21,788	31	\$ 20,959	36
Ka-Plus Automobile Leasing Co., Ltd.	7,662	11	8,515	15
Sin Etke Technology Co., Ltd.	2,916	4	2,916	5
Hsieh Kuan Manpower Service Co., Ltd.	2,572	4	860	1
Tang Li Enterprise Co., Ltd.	1,273	2	805	1
Others	<u>250</u>	<u>-</u>	<u>202</u>	<u>-</u>
	<u>\$ 36,461</u>	<u>52</u>	<u>\$ 34,257</u>	<u>58</u>

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

	2011		2010	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 261,138	10	\$ 216,037	9
Yu Sing Motor Co., Ltd.	220,941	8	209,255	9
Yu Chang Motor Co., Ltd.	211,103	8	214,759	9
Yuan Lon Motor Co., Ltd.	178,923	6	178,211	8
Chen Long Co., Ltd.	137,115	5	113,640	5
Empower Motor Co., Ltd.	132,901	5	127,712	5
Yushin Motor Co., Ltd.	131,688	5	133,173	6
Hui-Lian Motor Co., Ltd.	126,312	5	129,425	6
Chi Ho Corporation	117,984	4	109,401	5
Yu Tang Motor Co., Ltd.	112,675	4	102,449	4
Others	<u>160,979</u>	<u>6</u>	<u>152,695</u>	<u>6</u>
	<u>\$ 1,791,759</u>	<u>66</u>	<u>\$ 1,686,757</u>	<u>72</u>

8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 174,677	40	\$ 172,950	44
Chen Long Co., Ltd.	2,813	1	1,915	-
Chan Yun Technology Co., Ltd.	1,848	-	2,068	-
Hsieh Kuan Manpower Service Co., Ltd.	1,132	-	3,364	1
Tokio Marine Newa Insurance Co., Ltd.	1,023	-	2,422	1
Others	<u>4,874</u>	<u>1</u>	<u>12,715</u>	<u>3</u>
	<u>\$ 186,367</u>	<u>42</u>	<u>\$ 195,434</u>	<u>49</u>

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

	2011		2010	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - research and development expense				
Yulon	\$ 40,521	7	\$ 6,632	1
Hsiang Shou Enterprise Co., Ltd.	23,044	4	23,888	5
Hua-Chuang Automobile Information Technical Center Co., Ltd.	3,029	1	45,000	9
Others	<u>3,103</u>	<u>1</u>	<u>1,672</u>	<u>-</u>
	<u>\$ 69,697</u>	<u>13</u>	<u>\$ 77,192</u>	<u>15</u>

The Company paid for sample products and trial fee to Yulon. The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expenses for TOBE System. The Company also paid Hua-Chuang Automobile Information Technical Center Co., Ltd. for design expenses of new automobile model.

	2011		2010	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income - gain on sale of molds				
Ashok Leyland Nissan Vehicles Ltd.	\$ 150,483	100	\$ -	-

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

	2011		2010	
	Amount	% to Total	Amount	% to Total
11) Nonoperating income - others				
Yu Chang Motor Co., Ltd.	\$ 3,716	7	\$ 789	2
Yu Sing Motor Co., Ltd.	2,825	5	698	2
Yuan Lon Motor Co., Ltd.	2,681	5	1,250	3
Hua-Chuang Automobile Information Technical Center Co., Ltd.	2,537	5	1,563	4
Others	15,000	28	9,944	25
	<u>\$ 26,759</u>	<u>50</u>	<u>\$ 14,244</u>	<u>36</u>

12) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	\$ 22,238	45	\$ 12,750	21
Sinjang Co., Ltd.	7,980	16	8,210	13
Visionary International Consulting Co., Ltd.	2,644	5	2,652	4
Others	3,212	7	4,402	7
	<u>\$ 36,074</u>	<u>73</u>	<u>\$ 28,014</u>	<u>45</u>

13) Nonoperating expenses and losses - others				
Yu Chang Motor Co., Ltd.	\$ 934	14	\$ -	-
Others	-	-	838	4
	<u>\$ 934</u>	<u>14</u>	<u>\$ 838</u>	<u>4</u>

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
14) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 168,888	31	\$ 125,763	39
Empower Motor Co., Ltd.	69,585	13	5,724	2
Ashok Leyland Nissan Vehicles Ltd.	50,925	9	-	-
Chi Ho Corporation	47,651	9	4,913	1
NMPI	43,335	8	57,223	18
Nissan Motor Egypt S.A.E.	34,795	7	37,109	11
Jet Ford, Inc.	26,984	5	3,299	1
Sin Etke Technology Co., Ltd.	26,952	5	15,259	5
Others	<u>68,992</u>	<u>13</u>	<u>74,315</u>	<u>23</u>
	<u>\$ 538,107</u>	<u>100</u>	<u>\$ 323,605</u>	<u>100</u>

Jet Ford Inc. sells parts, steel and aluminum parts for the Company. As of December 31, 2011 and 2010, the accounts receivable from Jet Ford Inc. resulted from such sales.

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
15) Refundable deposits				
Yulon	<u>\$ 17,600</u>	<u>90</u>	<u>\$ 100</u>	<u>4</u>

The Company paid refundable deposits to Yulon mainly for production of new car models.

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
16) Notes and accounts payable - related parties				
Yulon	\$ 1,106,477	70	\$ 608,828	57
Nissan	99,227	6	108,686	10
Taiwan Acceptance Corporation	60,565	4	61,043	5
China Ogihara Corporation	45,090	3	11,568	1
Others	<u>259,254</u>	<u>17</u>	<u>285,572</u>	<u>27</u>
	<u>\$ 1,570,613</u>	<u>100</u>	<u>\$ 1,075,697</u>	<u>100</u>

17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$2,026,390 thousand and \$1,960,585 thousand in 2011 and 2010, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$1,188 thousand and \$1,130 thousand in 2011 and 2010, respectively.

- 18) The Company signed a molds contract with Diamond Leasing Service Co., Ltd. The contract is valid from December 2011 to the end of production of the car model. The contract amounted to \$432,642 thousand payable in four installments with the last installment payable six months after the car model started mass production. As of the end of 2011, the Company had already paid \$86,528 thousand (recognized as deferred charges). Besides, within the contract period, the Company should pay to Diamond Leasing Service Co., Ltd. before the end of January every year the amount of \$2.6 per ten thousand dollars based on the accumulated amount of molds paid in prior year.
- 19) The Company bought molds from related parties (molds purchased were recorded under deferred charges) as follows:

	<b>2011</b>	<b>2010</b>
China Ogihara Corporation.	\$ 45,090	\$ 11,568
Yueki Industrial Co., Ltd.	20,903	77,715
Yulon	18,008	22,470
Chien Tai Industry Co., Ltd.	12,386	6,265
Y-teks, Co.	10,716	20,002
Yue Sheng Industrial Co., Ltd.	10,019	1,938
Uni Calsonic Corporation	9,799	2,284
Kian Shen Corporation	9,776	1,558
Others	<u>5,140</u>	<u>58,114</u>
	<u>\$ 141,837</u>	<u>\$ 201,914</u>

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

	<b>2011</b>	<b>2010</b>
Salaries	\$ 31,914	\$ 30,745
Incentives	6,904	6,716
Bonus	<u>193</u>	<u>1,426</u>
	<u>\$ 39,011</u>	<u>\$ 38,887</u>

## 20. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2011 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of December 31, 2011, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for sales and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to December 31, 2011, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the next five years and after are as follows:

Year	Rental (Thousands)
2012	\$ 2,508
2013	2,508
2014	2,508
2015	2,508
2016 and after	3,971

- d. The Company had commitments to buy computer equipment, other equipment, computer software and molds for \$3,940 thousand, \$185 thousand, \$580 thousand and \$404,520 thousand, respectively.

## 21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 743,912	\$ 743,912	\$ 677,127	\$ 677,127
Financial assets at fair value through profit or loss	2,262,001	2,262,001	2,110,748	2,110,748
Notes and accounts receivable	22,417	22,417	26,459	26,459
Notes and accounts receivable - related parties	538,107	538,107	323,605	323,605
Other financial assets	452,645	452,645	613,956	613,956
Long-term equity investments	19,069,822	19,069,822	15,402,999	15,402,999
Refundable deposits	19,650	19,650	2,680	2,680

(Continued)

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Liabilities</b>				
Notes and accounts payable	\$ 144,530	\$ 144,530	\$ 81,519	\$ 81,519
Notes and accounts payable - related parties	1,570,613	1,570,613	1,075,697	1,075,697
Income tax payable	213,238	213,238	50,985	50,985
Accrued expenses	559,928	559,928	486,463	486,463
Accrued pension liabilities	469,180	469,180	449,586	449,586
				(Concluded)

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

- 1) For financial instruments, except those mentioned in (2), (3) and (4) below, the carrying values reported in the balance sheet approximate their fair values.
- 2) The financial assets at fair value through profit or loss are estimated at market quotations.
- 3) Fair value of long-term equity investments is based on net asset value of the investments.
- 4) For refundable deposits, the variance between the amounts to be actually paid and the carrying values is very minimal; thus, the carrying values are used as the basis for fair value estimation.

c. Fair value of financial instruments was as follows:

	<b>Amount Based on Quoted Market Price</b>		<b>Amount Determined Using Valuation Techniques</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 2,201,855	\$ 2,029,725	\$ 60,146	\$ 81,023

d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$406 thousand and \$754 thousand for the years ended December 31, 2011 and 2010, respectively.

e. Information about financial risks

- 1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

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

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary item						
U.S. dollars	\$ 2,268	30.275	\$ 68,654	\$ 6,970	29.13	\$ 203,039
Japan yen	238,705	0.3906	93,238	425,236	0.3582	152,320
Long-term equity investments						
U.S. dollars	629,887	30.275	19,069,822	528,768	29.13	15,402,999
<u>Financial liabilities</u>						
Monetary item						
U.S. dollars	26,697	30.275	808,247	5	29.13	147
Japan yen	29,158	0.3906	11,389	2,646	0.3582	948
Philippine pesos	442	0.7078	313	442	0.6831	302

## 23. ADDITIONAL DISCLOSURES

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

- Financing provided: None
- Endorsement/guarantee provided: None
- Marketable securities held: Table 1 (attached)
- Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None



- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)
- j. Derivative financial transactions: None
- k. Investment in Mainland China
  - 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 6 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
    - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
    - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
    - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
    - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

## **24. OPERATING SEGMENTS INFORMATION**

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

## **25. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company's pre-disclosure of information on the adoption of International Financial Reporting Standards (IFRSs), and assessment of material differences between the existing accounting policies and the prospective accounting policies under IFRSs are presented in the consolidated financial statements.

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

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

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2011				Note
				Shares (Thousands)	Carrying Value (Note)	Percentage of Ownership	Market Value or Net Asset Value	
Yulon Nissan Motor Company, Ltd	<u>Beneficiary certificates</u>							
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	18,546	\$ 240,000	-	\$ 241,673	
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	13,952	190,000	-	191,008	
	SinoPac Asia Small and Medium Cap Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	4,840	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss	2,690	40,000	-	40,246	
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss	8,212	100,000	-	100,000	
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss	3,597	40,000	-	40,075	
	KGI Victory Money Market Fund	-	Financial assets at fair value through profit or loss	4,493	50,000	-	50,271	
	KGI Tumbler Fund	-	Financial assets at fair value through profit or loss	5,819	58,718	-	60,146	
	Fuh Hwa Rising Asean Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	4,995	
	TIIM Money Market Fund	-	Financial assets at fair value through profit or loss	15,941	229,969	-	232,377	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	3,215	50,000	-	50,000	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	16,142	229,625	-	230,177	
	Polaris De-Bao Money Market Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss	6,951	80,000	-	80,551	
	Reliance Wealth Bond Fund	-	Financial assets at fair value through profit or loss	7,930	80,000	-	81,907	
	Allianz Global Investors Global Bond Fund	-	Financial assets at fair value through profit or loss	2,752	30,000	-	30,813	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,285	220,000	-	221,018	
ING Taiwan Hong-Yang Money Market Fund	-	Financial assets at fair value through profit or loss	2,422	40,000	-	40,030		
ING Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	3,185	50,000	-	50,117		

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2011				Note
				Shares (Thousands)	Carrying Value (Note)	Percentage of Ownership	Market Value or Net Asset Value	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	5,867	\$ 70,000	-	\$ 70,785	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	19,224	279,978	-	280,793	
	PCA Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss	12,220	160,000	-	160,179	
Yulon Nissan Motor Company, Ltd	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	19,069,822	100.00	19,069,822	
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u> Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 629,637	100.00	US\$ 629,637	
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 202	100.00	US\$ 202	
Jet Ford, Inc.	<u>Share certificates</u> Aeolus Xiangfan Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 75,948	16.55	US\$ 73,519	
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 196,823	40.00	US\$ 196,525	
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 23,103	25.00	US\$ 23,103	
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 10,536	45.00	US\$ 10,536	
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 1,130	49.00	US\$ 1,130	

Note: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

(Concluded)

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2011

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands)	Amount (Note)
Yulon Nissan Motor Company Ltd.	<u>Beneficiary certificates</u> Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	37,125	\$ 540,000	17,901	\$ 260,084	\$ 260,022	\$ 62	19,224	\$ 279,978
	PineBridge Global Multi - Strategy High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	4,788	47,942	5,647	60,000	10,435	111,337	107,942	3,395	-	-
	Jih Sun Money Market Fund (Jin Sun Bond Fund)	Financial assets at fair value through profit or loss	-	-	13,467	190,000	19,670	280,000	16,995	242,190	240,375	1,815	16,142	229,625
	Taishin Lucky Money Market Fund	Financial assets at fair value through profit or loss	-	-	27,204	290,000	9,369	100,000	36,573	391,535	390,000	1,535	-	-
	Taishin 1699 Money Market Fund (IBT 1699 Bond Fund)	Financial assets at fair value through profit or loss	-	-	7,758	100,000	10,788	140,000	-	-	-	-	18,546	240,000
	Taishin Ta Chong Money Market Fund (IBT Ta-Chong Bond Fund)	Financial assets at fair value through profit or loss	-	-	2,948	40,000	11,004	150,000	-	-	-	-	13,952	190,000
	Mirae Asset Solomon Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	8,212	100,000	-	-	-	-	8,212	100,000
	ING Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	12,748	200,000	9,563	150,099	150,000	99	3,185	50,000
	PCA Well Pool Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	12,220	160,000	-	-	-	-	12,220	160,000
	FSITC Money Market Fund (FSITC Bond Fund)	Financial assets at fair value through profit or loss	-	-	234	40,000	1,051	180,000	-	-	-	-	1,285	220,000
	FSITC Global High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	4,432	50,038	7,436	90,000	11,868	144,378	140,038	4,340	-	-
	Fuh Hwa Money Market Fund (Fuh-Hwa Global Bond Fund)	Financial assets at fair value through profit or loss	-	-	24,593	340,000	-	-	24,593	342,200	340,000	2,200	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands)	Amount (Note)
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	39,005	\$ 610,000	39,005	\$ 611,140	\$ 610,000	\$ 1,140	-	\$ -
	Capital Money Market Fund (Capital Income Fund)	Financial assets at fair value through profit or loss	-	-	5,827	89,954	5,791	90,000	8,403	130,268	129,954	314	3,215	50,000
	Union Money Market Fund (Union Bond Fund)	Financial assets at fair value through profit or loss	-	-	10,306	\$ 130,000	15,796	\$ 200,000	26,102	\$ 332,314	\$ 330,000	\$ 2,314	-	-
	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,956	80,017	5,210	60,000	12,166	140,499	140,017	482	-	-

Note: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

(Concluded)

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

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2011  
(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	
Yulon Nissan Motor Company Ltd.	Yulon Motor Co., Ltd.	Equity-method investor of the Company	Purchase	\$ 26,193,323	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (1,066,570)	80	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	28,208,372	88	4 days after sales for parts 3 days after sales for vehicles	-	-	155,741	32	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	343,044	1	15 days after sales for parts Immediate payment for vehicles	-	-	9,326	2	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	327,618	1	15 days after sales for parts 90 days after sales for vehicles	-	-	46,863	10	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	323,246	1	15 days after sales for parts	-	-	7,182	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	283,632	1	15 days after sales for parts Immediate payment for vehicles	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	278,924	1	Same as above	-	-	68,300	14	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	217,673	1	Same as above	-	-	3,659	1	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	217,136	1	15 days after sales for parts	-	-	2,859	1	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	214,065	1	15 days after sales for parts	-	-	-	-	-
Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	211,013	-	Same as above	-	-	383	-	-	
Nissan Motor Egypt S.A.E.	Subsidiary of Nissan	Sale	154,768	-	30 days after sales for parts	-	-	34,795	7	-	

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.

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2011**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	\$ 168,888	191.47	\$ -	-	\$ 168,888	\$ -

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
YEAR ENDED DECEMBER 31, 2011

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 1)	Note
				December 31, 2011	December 31, 2010	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	\$ 19,069,822	\$ 3,420,248	\$ 3,420,248	
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc. Yi Hsing Corporation	British Virgin Islands Philippines	Investment Inquire parts sales prices and commission-based business	US\$ 57,171 US\$ 200	US\$ 57,171 US\$ 200	71,772 1,100	100.00 100.00	US\$ 629,637 US\$ 202	US\$ 116,378 US\$ -	US\$ 116,378 US\$ -	
Jet Ford, Inc.	Aeolus Xiangfan Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 75,948	US\$ 47,129	US\$ 7,375	
	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\$ 196,823	US\$ 133,768	US\$ 52,047	
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 10,890	US\$ 10,890	-	25.00	US\$ 23,103	US\$ 50,944	US\$ 12,736	
	Dong Feng Yulon Motors Sales Co., Ltd.	Hubei (Mainland China)	Selling of parts, repair and maintenance of vehicles, and related services	-	US\$ 5,922	-	-	-	US\$ (713)	US\$ (349)	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\$ 10,536	US\$ 3,266	US\$ 1,470	
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars	US\$ 593	US\$ 593	-	49.00	US\$ 1,130	US\$ 272	US\$ 133	

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

Note 2: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd this year.



TABLE 6

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

## INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2011

(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Aeolus Xiangfan Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55%	\$ 216,772 (US\$ 7,375)	\$ 2,299,325 (US\$ 75,948)	\$ -
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00%	1,529,718 (US\$ 52,047)	5,958,828 (US\$ 196,823)	1,269,572 (US\$ 39,777)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	663,931 (RMB 173,550)	Note 1	345,322 (US\$ 10,890)	-	-	345,322 (US\$ 10,890)	25.00%	374,324 (US\$ 12,736)	699,457 (US\$ 23,103)	-
Dong Feng Yulon Motors Sales Co., Ltd. (Note 4)	Selling of parts, repair and maintenance of vehicles, and related services	383,000 (RMB 100,000)	Note 1	187,787 (US\$ 5,922)	-	-	187,787 (US\$ 5,922)	-	(10,265) (US\$ -349)	-	-
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00%	43,193 (US\$ 1,470)	318,985 (US\$ 10,536)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00%	3,912 (US\$ 133)	34,202 (US\$ 1,130)	-

Accumulated Investment in Mainland China as of December 31, 2011	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)	\$11,738,090

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

Note 2: Investment gains (losses) recognized were calculated from the audited financial statements.

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

Note 4: Jet Ford, Inc. sold all of its shares in Dong Feng Yulon Motors Sales Co., Ltd this year.