

Yulon Nissan Motor Company, Ltd.

**Financial Statements for the
Six Months Ended June 30, 2012 and 2011 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of June 30, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the six months 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.

Except as described in the third paragraph, 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.

As stated in Note 9 to the financial statements, the carrying values of certain long-term investments accounted for by the equity method as of June 30, 2012 and 2011, which amounted to \$1,792,605 thousand and \$4,778,266 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$83,302 thousand and \$248,098 thousand, respectively, were based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the investees mentioned in the third paragraph been audited, 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 June 30, 2012 and 2011, and the results of its operations and its cash flows for the six months 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.

August 27, 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

JUNE 30, 2012 AND 2011

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

| ASSETS | 2012 | | 2011 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2012 | | 2011 | |
|--------------------------------------------------------------------------|----------------------|------------|----------------------|------------|------------------------------------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 1,114,272 | 4 | \$ 916,733 | 4 | Notes and accounts payable | \$ 50,068 | - | \$ 103,119 | 1 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 2,949,732 | 11 | 3,818,713 | 16 | Notes and accounts payable - related parties (Note 19) | 1,757,535 | 6 | 2,137,980 | 9 |
| Notes and accounts receivable (Notes 2 and 6) | 27,018 | - | 34,497 | - | Income tax payable (Notes 2 and 15) | 227,495 | 1 | 95,443 | - |
| Notes and accounts receivable - related parties (Note 19) | 574,725 | 2 | 804,221 | 4 | Accrued expenses (Note 12) | 569,899 | 2 | 513,417 | 2 |
| Other financial assets (Note 7) | 12,173 | - | 3,262 | - | Dividend payable (Note 13) | 3,060,000 | 11 | 1,680,000 | 7 |
| Inventories (Notes 2 and 8) | 1,691 | - | 1,736 | - | Warranty (Note 2) | 81,858 | - | 64,079 | - |
| Prepayments | 5,373 | - | 7,546 | - | Other current liabilities | <u>112,752</u> | <u>1</u> | <u>98,134</u> | <u>1</u> |
| Deferred income tax assets, net (Notes 2 and 15) | 33,746 | - | 27,809 | - | Total current liabilities | <u>5,859,607</u> | <u>21</u> | <u>4,692,172</u> | <u>20</u> |
| Other current assets | <u>994</u> | <u>-</u> | <u>283</u> | <u>-</u> | OTHER LIABILITIES | | | | |
| Total current assets | <u>4,719,724</u> | <u>17</u> | <u>5,614,800</u> | <u>24</u> | Accrued pension liabilities (Notes 2 and 16) | 480,513 | 2 | 458,171 | 2 |
| LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9) | <u>21,767,784</u> | <u>78</u> | <u>16,371,045</u> | <u>70</u> | Deferred income tax liabilities, net (Notes 2 and 15) | 2,331,191 | 8 | 1,398,978 | 6 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10) | | | | | Warranty (Note 2) | <u>87,776</u> | <u>-</u> | <u>92,975</u> | <u>-</u> |
| Cost | | | | | Total other liabilities | <u>2,899,480</u> | <u>10</u> | <u>1,950,124</u> | <u>8</u> |
| Machinery and equipment | 19,660 | - | 21,135 | - | Total liabilities | <u>8,759,087</u> | <u>31</u> | <u>6,642,296</u> | <u>28</u> |
| Transportation equipment | 4,290 | - | 4,290 | - | STOCKHOLDERS' EQUITY | | | | |
| Tools | 5,694 | - | 5,694 | - | Capital stock - \$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares | <u>3,000,000</u> | <u>11</u> | <u>3,000,000</u> | <u>13</u> |
| Computer equipment | 88,728 | 1 | 82,108 | 1 | Capital surplus | | | | |
| Other equipment | 84,363 | - | 79,967 | - | Excess from spin-off | 5,986,507 | 21 | 5,986,507 | 26 |
| Leasehold improvement | <u>3,142</u> | <u>-</u> | <u>4,809</u> | <u>-</u> | Gains on long-term investments | <u>142,898</u> | <u>1</u> | <u>2,461</u> | <u>-</u> |
| Total cost | 205,877 | 1 | 198,003 | 1 | Total capital surplus | <u>6,129,405</u> | <u>22</u> | <u>5,988,968</u> | <u>26</u> |
| Less accumulated depreciation | <u>170,266</u> | <u>1</u> | <u>162,579</u> | <u>1</u> | Retained earnings | | | | |
| | 35,611 | - | 35,424 | - | Legal reserve | 1,764,839 | 6 | 1,381,683 | 6 |
| Prepayments for equipment | <u>3,392</u> | <u>-</u> | <u>1,712</u> | <u>-</u> | Special reserve | 379,840 | 1 | 379,840 | 2 |
| Property, plant and equipment, net | <u>39,003</u> | <u>-</u> | <u>37,136</u> | <u>-</u> | Unappropriated earnings | <u>7,727,881</u> | <u>28</u> | <u>5,729,903</u> | <u>24</u> |
| OTHER ASSETS | | | | | Total retained earnings | <u>9,872,560</u> | <u>35</u> | <u>7,491,426</u> | <u>32</u> |
| Refundable deposits (Note 19) | 84,465 | - | 4,245 | - | Cumulative translation adjustments | <u>148,349</u> | <u>1</u> | <u>269,607</u> | <u>1</u> |
| Deferred charges (Notes 2, 11 and 19) | <u>1,298,425</u> | <u>5</u> | <u>1,365,071</u> | <u>6</u> | Total stockholders' equity | <u>19,150,314</u> | <u>69</u> | <u>16,750,001</u> | <u>72</u> |
| Total other assets | <u>1,382,890</u> | <u>5</u> | <u>1,369,316</u> | <u>6</u> | TOTAL | <u>\$ 27,909,401</u> | <u>100</u> | <u>\$ 23,392,297</u> | <u>100</u> |
| TOTAL | <u>\$ 27,909,401</u> | <u>100</u> | <u>\$ 23,392,297</u> | <u>100</u> | | | | | |

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

(With Deloitte & Touche audit report dated August 27, 2012)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

| | 2012 | | 2011 | |
|-----------------------------------------|---------------------|-----------|---------------------|-----------|
| | Amount | % | Amount | % |
| SALES (Note 19) | \$ 17,357,064 | 100 | \$ 16,490,697 | 100 |
| LESS: SALES RETURNS | 2,442 | - | 4,902 | - |
| SALES ALLOWANCES | <u>1,116</u> | <u>-</u> | <u>2,441</u> | <u>-</u> |
| NET SALES | 17,353,506 | 100 | 16,483,354 | 100 |
| COST OF SALES (Note 19) | <u>15,023,815</u> | <u>87</u> | <u>14,190,355</u> | <u>86</u> |
| GROSS PROFIT | <u>2,329,691</u> | <u>13</u> | <u>2,292,999</u> | <u>14</u> |
| OPERATING EXPENSES (Note 19) | | | | |
| Marketing and selling | 1,202,696 | 7 | 1,294,041 | 8 |
| General and administrative | 219,195 | 1 | 224,952 | 1 |
| Research and development | <u>264,235</u> | <u>2</u> | <u>251,533</u> | <u>2</u> |
| Total operating expenses | <u>1,686,126</u> | <u>10</u> | <u>1,770,526</u> | <u>11</u> |
| OPERATING GAIN | <u>643,565</u> | <u>3</u> | <u>522,473</u> | <u>3</u> |
| NONOPERATING INCOME AND GAINS | | | | |
| Equity in net income of investees | 2,873,330 | 17 | 916,018 | 5 |
| Gain from valuation of financial assets | 21,442 | - | 17,787 | - |
| Foreign exchange gain | 2,597 | - | 1,456 | - |
| Interest income | 1,965 | - | 458 | - |
| Gain on disposal of fixed assets | 445 | - | - | - |
| Others (Note 19) | <u>12,029</u> | <u>-</u> | <u>11,069</u> | <u>-</u> |
| Total nonoperating income and gains | <u>2,911,808</u> | <u>17</u> | <u>946,788</u> | <u>5</u> |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Overseas business expense (Note 19) | 21,430 | - | 24,851 | - |
| Loss on sale of investments, net | 9,059 | - | 5,135 | - |
| Interest expense (Note 19) | 815 | - | 586 | - |
| Others (Note 19) | <u>2,235</u> | <u>-</u> | <u>9,105</u> | <u>-</u> |
| Total nonoperating expenses and losses | <u>33,539</u> | <u>-</u> | <u>39,677</u> | <u>-</u> |
| INCOME BEFORE INCOME TAX | 3,521,834 | 20 | 1,429,584 | 8 |
| INCOME TAX EXPENSES (Notes 2 and 15) | <u>699,636</u> | <u>4</u> | <u>216,955</u> | <u>1</u> |
| NET INCOME | <u>\$ 2,822,198</u> | <u>16</u> | <u>\$ 1,212,629</u> | <u>7</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

| | 2012 | | 2011 | |
|------------------------------|-----------------|----------------|----------------|----------------|
| | Before Tax | After Tax | Before Tax | After Tax |
| EARNINGS PER SHARE (Note 18) | | | | |
| Basic | <u>\$ 11.74</u> | <u>\$ 9.41</u> | <u>\$ 4.77</u> | <u>\$ 4.04</u> |
| Diluted | <u>\$ 11.73</u> | <u>\$ 9.40</u> | <u>\$ 4.75</u> | <u>\$ 4.03</u> |

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

(With Deloitte & Touche audit report dated August 27, 2012)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

| | Capital Stock | | Capital Surplus (Notes 2 and 13) | | | Legal Reserve | Retained Earnings (Notes 2 and 13) | | | Cumulative Translation Adjustments (Note 2 and 13) | Total Stockholders' Equity |
|-------------------------------------------------------------------------|-----------------------|---------------------|----------------------------------|----------------------|---------------------|---------------------|------------------------------------|-------------------------|---------------------|----------------------------------------------------|----------------------------|
| | Shares (In Thousands) | Amount | Excess from Spin-off | Long-term Investment | Total | | Special Reserve | Unappropriated Earnings | Total | | |
| BALANCE, JANUARY 1, 2012 | 300,000 | \$ 3,000,000 | \$ 5,986,507 | \$ 2,461 | \$ 5,988,968 | \$ 1,381,683 | \$ 379,840 | \$ 8,348,839 | \$ 10,110,362 | \$ 464,154 | \$ 19,563,484 |
| Appropriation of 2011 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 383,156 | - | (383,156) | - | - | - |
| Cash dividends - \$10.2 per share | - | - | - | - | - | - | - | (3,060,000) | (3,060,000) | - | (3,060,000) |
| Adjustment arising from changes in percentage of ownership in investees | - | - | - | 140,437 | 140,437 | - | - | - | - | - | 140,437 |
| Net income from January 1, 2012 to June 30, 2012 | - | - | - | - | - | - | - | 2,822,198 | 2,822,198 | - | 2,822,198 |
| Equity in the investees' translation adjustments | - | - | - | - | - | - | - | - | - | (315,805) | (315,805) |
| BALANCE, JUNE 30, 2012 | <u>300,000</u> | <u>\$ 3,000,000</u> | <u>\$ 5,986,507</u> | <u>\$ 142,898</u> | <u>\$ 6,129,405</u> | <u>\$ 1,764,839</u> | <u>\$ 379,840</u> | <u>\$ 7,727,881</u> | <u>\$ 9,872,560</u> | <u>\$ 148,349</u> | <u>\$ 19,150,314</u> |
| BALANCE, JANUARY 1, 2011 | 300,000 | \$ 3,000,000 | \$ 5,986,507 | \$ 2,461 | \$ 5,988,968 | \$ 1,093,293 | \$ 379,840 | \$ 6,485,664 | \$ 7,958,797 | \$ 217,579 | \$ 17,165,344 |
| Appropriation of 2010 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 288,390 | - | (288,390) | - | - | - |
| Cash dividends - \$5.6 per share | - | - | - | - | - | - | - | (1,680,000) | (1,680,000) | - | (1,680,000) |
| Net income from January 1, 2011 to June 30, 2011 | - | - | - | - | - | - | - | 1,212,629 | 1,212,629 | - | 1,212,629 |
| Equity in the investees' translation adjustments | - | - | - | - | - | - | - | - | - | 52,028 | 52,028 |
| BALANCE, JUNE 30, 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>\$ 5,729,903</u> | <u>\$ 7,491,426</u> | <u>\$ 269,607</u> | <u>\$ 16,750,001</u> |

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

(With Deloitte & Touche audit report dated August 27, 2012)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

| | 2012 | 2011 |
|-----------------------------------------------------------------------------------|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 2,822,198 | \$ 1,212,629 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 314,389 | 262,279 |
| Loss on sale of investments, net | 9,059 | 5,135 |
| Equity in net income of investees | (2,873,330) | (916,018) |
| Gain on disposal of fixed assets | (445) | - |
| Gain from valuation of financial assets | (21,442) | (17,787) |
| Deferred income taxes | 494,744 | 238,831 |
| Provision for pension costs | 11,333 | 8,585 |
| Provision for loss on inventory purchase commitment | (31,677) | 8,225 |
| Provision for warranty liabilities | 28,280 | 49,900 |
| Net changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | (675,348) | (1,695,313) |
| Notes and accounts receivable | (4,601) | (8,038) |
| Notes and accounts receivable - related parties | (36,618) | (480,616) |
| Other financial assets | 440,472 | 610,694 |
| Inventories | 102 | (720) |
| Prepayments | 28,262 | (2,980) |
| Other current assets | (579) | (283) |
| Notes and accounts payable | (94,462) | 21,600 |
| Notes and accounts payable - related parties | 186,922 | 1,062,283 |
| Income tax payable | 14,257 | 44,458 |
| Accrued expenses | 9,971 | 26,954 |
| Other current liabilities | <u>(12,079)</u> | <u>(5,668)</u> |
| Net cash provided by operating activities | <u>609,408</u> | <u>424,150</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (9,185) | (4,700) |
| Proceeds from disposal of property, plant and equipment | 500 | - |
| Increase in refundable deposits | (64,815) | (1,565) |
| Increase in deferred charges | <u>(165,548)</u> | <u>(178,279)</u> |
| Net cash used in investing activities | <u>(239,048)</u> | <u>(184,544)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 370,360 | 239,606 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>743,912</u> | <u>677,127</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 1,114,272</u> | <u>\$ 916,733</u> |

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

| | 2012 | 2011 |
|--------------------------------------------------|---------------------|---------------------|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for | | |
| Interest | \$ 815 | \$ 592 |
| Income tax | <u>\$ 190,635</u> | <u>\$ 77,016</u> |
| NON-CASH FINANCING ACTIVITIES | | |
| Dividend payable | <u>\$ 3,060,000</u> | <u>\$ 1,680,000</u> |

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

(With Deloitte & Touche audit report dated August 27, 2012)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

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 June 30, 2012 and 2011, the Company had 441 and 413 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”). 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. The Company’s significant accounting policies are summarized as follows:

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 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

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 evidences 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 the defined benefit plan are recognized according to the 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 OF 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.

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."

4. CASH AND CASH EQUIVALENTS

| | June 30 | |
|----------------------------------------------------------------------------|---------------------|-------------------|
| | 2012 | 2011 |
| Cash | | |
| Cash on hand | \$ 20 | \$ 20 |
| Checking accounts and demand deposits | 544,121 | 751,539 |
| Time deposits, annual yield rate - 2012: 0.87%-1.09%; 2011: 0.84%-0.87% | 365,700 | 3,000 |
| Foreign-currency demand deposits | <u>204,431</u> | <u>150,466</u> |
| | 1,114,272 | 905,025 |
| Cash equivalents | | |
| Foreign commercial papers, annual yield rate: 1.50% | <u>-</u> | <u>11,708</u> |
| | <u>\$ 1,114,272</u> | <u>\$ 916,733</u> |

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>June 30</u> | |
|-----------------------------------|---------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Financial assets held for trading | | |
| Mutual funds | <u>\$ 2,949,732</u> | <u>\$ 3,818,713</u> |

Net gain on financial assets held for trading for the six months ended June 30, 2012 and 2011 was \$12,383 thousand and \$12,652 thousand, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

| | <u>June 30</u> | |
|---------------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Notes receivable | \$ 250 | \$ 91 |
| Accounts receivable | <u>26,768</u> | <u>34,406</u> |
| | <u>\$ 27,018</u> | <u>\$ 34,497</u> |

7. OTHER FINANCIAL ASSETS

| | <u>June 30</u> | |
|-----------------------|------------------|-----------------|
| | <u>2012</u> | <u>2011</u> |
| Molds receivable | \$ 5,083 | \$ - |
| Interest receivable | 456 | 16 |
| Tax refund receivable | 37 | 37 |
| Others | <u>6,597</u> | <u>3,209</u> |
| | <u>\$ 12,173</u> | <u>\$ 3,262</u> |

8. INVENTORIES

| | <u>June 30</u> | |
|-------|-----------------|-----------------|
| | <u>2012</u> | <u>2011</u> |
| Parts | <u>\$ 1,691</u> | <u>\$ 1,736</u> |

The cost of inventories recognized as cost of sales during the six months ended June 30, 2012 was \$15,023,815 thousand, which included warranty cost of \$47,032 thousand and loss on inventory purchase commitment reserve of \$31,677 thousand. The cost of inventories recognized as cost of sales during the six months ended June 30, 2011 was \$14,190,355 thousand, which included warranty cost of \$72,305 thousand and loss on inventory purchase commitment of \$8,225 thousand.

9. LONG-TERM EQUITY INVESTMENTS

| | June 30 | | | |
|--------------------------------------|----------------------|----------------|----------------------|----------------|
| | 2012 | | 2011 | |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| Yi-Jan Overseas Investment Co., Ltd. | \$ <u>21,767,784</u> | 100 | \$ <u>16,371,045</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:

| Investee | Percentage of Ownership | Accumulated Investment Amount (In Thousands) as of June 30, 2012 |
|---------------------------------------|-------------------------|------------------------------------------------------------------|
| Aeolus Xiangyang Automobile Co., Ltd. | 16.55% | US\$ 21,700 |
| Aeolus Automobile Co., Ltd. | 33.12% | US\$ 18,710 |
| Guangzhou Aeolus Automobile Co., Ltd. | 40.00% | US\$ 16,941 |
| Shenzhen Lan You Technology Co., Ltd. | 45.00% | US\$ 1,125 |
| Dong Feng Yulon Used Cars Co., Ltd. | 49.00% | US\$ <u>593</u> |
| | | US\$ <u>59,069</u> |

On May 2012, Jet Ford Inc. a subsidiary of Yi-Jan Overseas Investment Co., Ltd. acquired 8.12 percent shares of Shenzhen Lan You Technology Co., Ltd. and the investment amount is US\$7,820 thousand. In the end of June 2012, the accumulated investment amount is US\$18,710 thousand.

The Company invested US\$200 thousand in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. Yi Hsing Corporation engages 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.

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.

As of June 30, 2012, the carrying values and related investment income of Yi-Jan Overseas Investment Co., Ltd., Jet Ford Inc., Yi Hsing Corporation, Guangzhou Aeolus Automobile Co., Ltd. and Aeolus Automobile Co., Ltd. were based on the investees' audited financial statements, the rest were based on the investees' unaudited financial statements.

As of June 30, 2011, the carrying values and related investment income of Yi-Jan Overseas Investment Co., Ltd., Jet Ford Inc. and Guangzhou Aeolus Automobile Co., Ltd., were based on the investees' audited financial statements, the rest were based on the investees' unaudited financial statements.

The carrying values of the long-term investments as of June 30, 2012 and 2011, which amounted to \$1,792,605 thousand and \$4,778,266 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$83,302 thousand and \$248,098 thousand, respectively, were based on the investees' unaudited financial statements.

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

10. PROPERTY, PLANT AND EQUIPMENT

| | June 30 | |
|--------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| Accumulated depreciation | | |
| Machinery and equipment | \$ 16,208 | \$ 16,922 |
| Transportation equipment | 4,041 | 3,913 |
| Tools | 4,719 | 4,118 |
| Computer equipment | 73,153 | 69,357 |
| Other equipment | 70,367 | 65,556 |
| Leasehold improvement | <u>1,778</u> | <u>2,713</u> |
| | <u>\$ 170,266</u> | <u>\$ 162,579</u> |

Depreciation of property, plant and equipment amounted to \$7,293 thousand and \$8,404 thousand for the six months ended June 30, 2012 and 2011, respectively.

11. DEFERRED CHARGES

| | June 30 | |
|-------------------|---------------------|---------------------|
| | 2012 | 2011 |
| Molds | \$ 1,012,245 | \$ 1,108,581 |
| Dies | 274,294 | 240,179 |
| Computer software | <u>11,886</u> | <u>16,311</u> |
| | <u>\$ 1,298,425</u> | <u>\$ 1,365,071</u> |

Amortization of deferred charges amounted to \$307,096 thousand and \$253,875 thousand for the six months ended June 30, 2012 and 2011, respectively.

12. ACCRUED EXPENSES

| | June 30 | |
|--------------------|-------------------|-------------------|
| | 2012 | 2011 |
| Promotion expenses | \$ 292,240 | \$ 224,585 |
| Wages and bonuses | 215,844 | 242,507 |
| VAT payable | 23,044 | 31,596 |
| Others | <u>38,771</u> | <u>14,729</u> |
| | <u>\$ 569,899</u> | <u>\$ 513,417</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, the capital surplus from shares issued in excess of par (i.e., excess from spin-off) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

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

c. Appropriation of earnings and dividend policy

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

- 1) 0.1% to 5% as bonus for 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 six months ended June 30, 2012 was calculated at 0.62% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for six months ended June 30, 2011 was calculated at 2.36% 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, Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

| | <u>Appropriation of Earnings</u> | | <u>Earnings Per Share</u> | |
|---------------|----------------------------------|-------------|---------------------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Legal reserve | \$ 383,156 | \$ 288,390 | | |
| Cash dividend | 3,060,000 | 1,680,000 | \$ 10.20 | \$ 5.60 |

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

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

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.

14. TECHNICAL COOPERATION AGREEMENT

The Company had a technical cooperation agreement (the "TCA") with Nissan. The TCA required the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$276,587 thousand and \$234,429 thousand for the six months ended June 30, 2012 and 2011, respectively, were recorded under costs of sales.

15. INCOME TAX

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

| | <u>Six Months Ended June 30</u> | |
|--------------------------------------------------------------------------------------------|---------------------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Income tax expense computed on the basis of income before income tax at statutory tax rate | \$ 598,711 | \$ 243,029 |
| Add (deduct) tax effects of: | | |
| Permanent differences | 4,812 | 2,503 |
| Temporary differences | (502,657) | (159,960) |
| Additional tax on retained earnings (10%) | 122,841 | 91,551 |
| Loss carryforwards used | - | (40,468) |
| Investment tax credits | - | (45,093) |
| Income tax payable | <u>\$ 223,707</u> | <u>\$ 91,562</u> |

The balance of the income tax payable shown on the balance sheet as of June 30, 2012 and 2011 was net of prepaid income tax and included income tax payable of previous years.

Income tax returns through 2009 had been examined by the tax authorities.

b. Income tax expense consisted of the following:

| | Six Months Ended June 30 | |
|-------------------------------------|---------------------------------|-------------------|
| | 2012 | 2011 |
| Income tax payable | \$ 223,707 | \$ 91,562 |
| Deferred income tax | 494,744 | 238,831 |
| Prior year's income tax adjustments | <u>(18,815)</u> | <u>(113,438)</u> |
| Income tax expense | <u>\$ 699,636</u> | <u>\$ 216,955</u> |

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

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

| | June 30 | |
|---------------------------------------------------------------|-----------------------|-----------------------|
| | 2012 | 2011 |
| Current | | |
| Loss on inventory purchase commitment | \$ 15,667 | \$ 12,628 |
| Provision for warranty | 13,916 | 10,893 |
| Unrealized foreign exchange loss | <u>4,163</u> | <u>4,288</u> |
| Net deferred income tax assets | <u>\$ 33,746</u> | <u>\$ 27,809</u> |
| Noncurrent | | |
| Provision for pension | \$ 81,797 | \$ 77,859 |
| Impairment loss difference between taxable loss and book loss | 30,646 | 57,234 |
| Provision for warranty | 14,922 | 15,806 |
| Investment tax credits | 7,872 | 2,365 |
| Equity in net income of overseas subsidiaries | <u>(2,466,428)</u> | <u>(1,552,242)</u> |
| Net deferred income tax liabilities | <u>\$ (2,331,191)</u> | <u>\$ (1,398,978)</u> |

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 June 30, 2012, the amount of the investment under the plans totaled \$78,719 thousand, with investment tax credits amount of \$7,872 thousand.

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

| | June 30 | |
|----------------------------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| Balance of imputation credit account ("ICA") | <u>\$ 410,189</u> | <u>\$ 315,250</u> |

The actual ICA rates for 2011 and 2010 earnings were 4.91% and 4.86%, respectively.

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 beginning July 1, 2005.

Pension expenses recognized under the defined contribution plan was \$6,082 thousand and \$5,438 thousand for the six months ended June 30, 2012 and 2011, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,011 thousand and \$1,831 thousand as of June 30, 2012 and 2011, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company 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 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. Pension expenses recognized under the defined benefit plan were \$14,380 thousand and \$14,817 thousand for the six months ended June 30, 2012 and 2011, respectively. Pension fund amounted to \$5,476 thousand and \$5,226 thousand as of June 30, 2012 and 2011, respectively. Accrued pension liabilities recognized under the defined benefit plan were \$479,502 thousand and \$456,340 thousand as of June 30, 2012 and 2011, respectively.

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | Six Months Ended June 30, 2012 | | |
|----------------------------|--------------------------------|--------------------|-------------------|
| | Operating Cost | Operating Expenses | Total |
| Personnel expenses | | | |
| Salaries | \$ 429 | \$ 315,351 | \$ 315,780 |
| Labor and health insurance | - | 15,114 | 15,114 |
| Pension | - | 19,881 | 19,881 |
| Other personnel expenses | - | 13,512 | 13,512 |
| | <u>\$ 429</u> | <u>\$ 363,858</u> | <u>\$ 364,287</u> |
| Depreciation | <u>\$ -</u> | <u>\$ 7,293</u> | <u>\$ 7,293</u> |
| Amortization | <u>\$ 303,651</u> | <u>\$ 3,445</u> | <u>\$ 307,096</u> |
| | | | |
| | Six Months Ended June 30, 2011 | | |
| | Operating Cost | Operating Expenses | Total |
| Personnel expenses | | | |
| Salaries | \$ 548 | \$ 293,470 | \$ 294,018 |
| Labor and health insurance | - | 13,547 | 13,547 |
| Pension | - | 19,530 | 19,530 |
| Other personnel expenses | - | 12,775 | 12,775 |
| | <u>\$ 548</u> | <u>\$ 339,322</u> | <u>\$ 339,870</u> |
| Depreciation | <u>\$ -</u> | <u>\$ 8,404</u> | <u>\$ 8,404</u> |
| Amortization | <u>\$ 251,180</u> | <u>\$ 2,695</u> | <u>\$ 253,875</u> |

18. EARNINGS PER SHARE

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

| | <u>Amounts (Numerator)</u> | | <u>Shares (Denominator) (Thousands)</u> | <u>EPS (Dollars)</u> | |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------|-------------------------------------------------|-----------------------------------------|-----------------------|
| | <u>Income Before Income Tax</u> | <u>Net Income</u> | | <u>Income Before Income Tax</u> | <u>Net Income</u> |
| <u>Six months ended June 30, 2012</u> | | | | | |
| Basic EPS | | | | | |
| Income for the period attributable to common stockholders | \$ 3,521,834 | \$ 2,822,198 | 300,000 | <u>\$ 11.74</u> | <u>\$ 9.41</u> |
| Effect of dilutive potential common stock Bonus to employees | <u>-</u> | <u>-</u> | <u>229</u> | | |
| Diluted EPS | | | | | |
| Income for the period attributable to common stockholders plus effect of potential dilutive common stock | <u>\$ 3,521,834</u> | <u>\$ 2,822,198</u> | <u>300,229</u> | <u>\$ 11.73</u> | <u>\$ 9.40</u> |
| <u>Six months ended June 30, 2011</u> | | | | | |
| Basic EPS | | | | | |
| Income for the period attributable to common stockholders | \$ 1,429,584 | \$ 1,212,629 | 300,000 | <u>\$ 4.77</u> | <u>\$ 4.04</u> |
| Effect of dilutive potential common stock Bonus to employees | <u>-</u> | <u>-</u> | <u>662</u> | | |
| Diluted EPS | | | | | |
| Income for the period attributable to common stockholders plus effect of potential dilutive common stock | <u>\$ 1,429,584</u> | <u>\$ 1,212,629</u> | <u>300,662</u> | <u>\$ 4.75</u> | <u>\$ 4.03</u> |

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 to 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 |

(Continued)

| Related Party | Relationship with the Company |
|--------------------------------------------------------------|-------------------------------------------------------------------------|
| 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 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 |
| Dongfeng Yi Jin Co., Ltd. | Equity-method investee of Nissan |
| Dongfeng Nissan Passenger Vehicle Co. | Same as above |
| Yi-Jan Overseas Investment Co., Ltd. | Subsidiary |
| Jet Ford, Inc. | Subsidiary of Yi-Jan Overseas Investment Co., Ltd. |
| Yi Hsing Corporation | Same as above |
| Yulon Motor Co., Ltd. (“Yulon”) | Equity-method investor of the Company |
| Taiwan Acceptance Corporation | Subsidiary of Yulon |
| Yueki Industrial Co., Ltd. | Same as above |
| Yu Pong Business Co., Ltd. | Same as above |
| Yu Ching Business Co., Ltd. | Same as above |
| Yushin Motor Co., Ltd. | Same as above |
| Yu Chang Motor Co., Ltd. | Same as above |
| Sin Etke Technology Co., Ltd. | Same as above |
| Yu Sing Motor Co., Ltd. | Same as above |
| Empower Motor Co., Ltd. | Same as above |
| Uni Auto Parts Co., Ltd. | Same as above |
| Chan Yun Technology Co., Ltd. | Same as above |
| Y-teks, Co. | Same as above |
| Singan Co., Ltd. | Same as above |
| Sinjang 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 |
| China Ogihara Corporation | Same as above |
| Yuan Lon Motor Co., Ltd. | Same as above |
| Chen Long Co., Ltd. | Same as above |
| ROC Spicer Ltd. | Same as above |
| Chi Ho Corporation | Same as above |
| Yu Tang Motor Co., Ltd. | Same as above |
| Yulon Management Co., Ltd. (formerly Sin Chi 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 |

(Continued)

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|----------------------------------------------|----------------------------------------------------|
| Ka-Plus Automobile Leasing Co., Ltd. | Subsidiary of Taiwan Acceptance Corporation |
| 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. |
| Tang Li Enterprise Co., Ltd. | Subsidiary of Yu Tang Motor Co., Ltd. |
| Nissan Motor Philippines, Inc. (NMPI) | Equity-method investee of Yulon |
| 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>Six Months Ended June 30</u> | | | |
|----------------------------------------|---------------------------------|-----------------------|----------------------|-----------------------|
| | <u>2012</u> | | <u>2011</u> | |
| | <u>Amount</u> | <u>% to Total</u> | <u>Amount</u> | <u>% to Total</u> |
| 1) Operating revenue - sales revenue | | | | |
| Taiwan Acceptance Corporation | \$ 15,423,656 | 89 | \$ 14,575,969 | 89 |
| Yuan Lon Motor Co., Ltd. | 173,325 | 1 | 172,850 | 1 |
| Yu Chang Motor Co., Ltd. | 167,598 | 1 | 170,605 | 1 |
| Yu Sing Motor Co., Ltd. | 154,064 | 1 | 145,313 | 1 |
| Chi Ho Corporation | 146,370 | 1 | 139,998 | 1 |
| Yushin Motor Co., Ltd. | 126,586 | 1 | 115,720 | 1 |
| Empower Motor Co., Ltd. | 119,961 | 1 | 110,046 | 1 |
| Hui-Lian Motor Co. | 117,770 | 1 | 108,136 | - |
| Yu Tang Motor Co., Ltd. | 116,769 | 1 | 110,384 | 1 |
| Chen Long Co., Ltd. | 114,778 | - | 114,674 | 1 |
| NMI | 41,164 | - | 17,727 | - |
| Yu Pool Co., Ltd. | 34,462 | - | 29,806 | - |
| Nissan Motor Egypt S.A.E. | 34,293 | - | 56,580 | - |
| Ding Long Motor Co., Ltd. | 26,329 | - | 27,093 | - |
| Sin Etke Technology Co., Ltd. | 26,191 | - | 37,682 | - |
| NMPI | 24,038 | - | 37,145 | - |
| Others | <u>189,277</u> | <u>1</u> | <u>205,865</u> | <u>2</u> |
| | <u>\$ 17,036,631</u> | <u>98</u> | <u>\$ 16,175,593</u> | <u>99</u> |
| 2) Operating revenue - service revenue | | | | |
| Nissan | <u>\$ 5,208</u> | <u>100</u> | <u>\$ 4,957</u> | <u>100</u> |

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

| | Six Months Ended June 30 | | | |
|-----------------------------------------------------------------|---------------------------------|-------------------|------------------|-------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 3) Operating revenue - others | | | | |
| Yulon | \$ 17,562 | 83 | \$ 22,952 | 74 |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 2,483 | 12 | - | - |
| Y-teks, Co. | 99 | - | - | - |
| Others | <u>-</u> | <u>-</u> | <u>7,286</u> | <u>23</u> |
| | <u>\$ 20,144</u> | <u>95</u> | <u>\$ 30,238</u> | <u>97</u> |

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

| | Six Months Ended June 30 | | | |
|------------------------------|---------------------------------|-------------------|----------------------|-------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 4) Operating cost - purchase | | | | |
| Yulon | \$ 14,179,121 | 98 | \$ 13,571,292 | 99 |
| Nissan | 121,536 | 1 | 6,916 | - |
| Others | <u>22,989</u> | <u>-</u> | <u>28,131</u> | <u>-</u> |
| | <u>\$ 14,323,646</u> | <u>99</u> | <u>\$ 13,606,339</u> | <u>99</u> |

5) Operating cost - Technical Cooperation Agreement ("TCA")

| | | | | |
|--------|-------------------|------------|-------------------|------------|
| Nissan | <u>\$ 276,587</u> | <u>100</u> | <u>\$ 234,429</u> | <u>100</u> |
|--------|-------------------|------------|-------------------|------------|

6) Operating expenses - rental

| | | | | |
|---------------------------------------|------------------|-----------|------------------|-----------|
| Yulon | \$ 10,199 | 38 | \$ 9,527 | 41 |
| Ka-Plus Automobile Leasing Co., Ltd. | 3,583 | 13 | 4,000 | 17 |
| Sin Etke Technology Co., Ltd. | 1,242 | 5 | 1,458 | 6 |
| Hsieh Kuan Manpower Service Co., Ltd. | 665 | 3 | 855 | 4 |
| Tang Li Enterprise Co., Ltd. | 484 | 2 | 521 | 2 |
| Others | <u>151</u> | <u>-</u> | <u>96</u> | <u>-</u> |
| | <u>\$ 16,324</u> | <u>61</u> | <u>\$ 16,457</u> | <u>70</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.

| | Six Months Ended June 30 | | | |
|-------------------------------------------------------|---------------------------------|-----------------------|-------------------|-----------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 7) Operating expenses - marketing and selling expense | | | | |
| Yu Sing Motor Co., Ltd. | \$ 100,672 | 8 | 110,122 | 9 |
| Yu Chang Motor Co., Ltd. | 83,563 | 7 | 115,483 | 9 |
| Yuan Lon Motor Co., Ltd. | 69,117 | 6 | 88,274 | 7 |
| Hui-Lian Motor Co. | 58,856 | 5 | 58,005 | 4 |
| Empower Motor Co., Ltd. | 58,319 | 5 | 59,818 | 5 |
| Yushin Motor Co., Ltd. | 54,745 | 5 | 58,484 | 4 |
| Chen Long Co., Ltd. | 48,281 | 4 | 55,944 | 4 |
| Yu Tang Motor Co., Ltd. | 44,150 | 4 | 52,197 | 4 |
| Chi Ho Corporation | 41,116 | 3 | 59,612 | 5 |
| Taiwan Acceptance Corporation | 26,443 | 2 | 144,396 | 11 |
| Others | <u>64,668</u> | <u>5</u> | <u>75,670</u> | <u>6</u> |
| | <u>\$ 649,930</u> | <u>54</u> | <u>\$ 878,005</u> | <u>68</u> |

8) Operating expenses - general and administrative expense

| | | | | |
|----------------------------|-------------------|-----------|-------------------|-----------|
| Yulon Management Co., Ltd. | \$ 87,300 | 40 | \$ 87,377 | 39 |
| Yulon | 7,615 | 3 | 9,590 | 4 |
| Chen Long Co., Ltd. | 1,013 | 1 | 1,702 | 1 |
| Others | <u>4,502</u> | <u>2</u> | <u>3,618</u> | <u>2</u> |
| | <u>\$ 100,430</u> | <u>46</u> | <u>\$ 102,287</u> | <u>46</u> |

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

| | Six Months Ended June 30 | | | |
|--------------------------------------------------|---------------------------------|-----------------------|------------------|-----------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 9) Operating expenses - research and development | | | | |
| Yulon | \$ 14,312 | 5 | \$ 3,377 | 1 |
| Hsiang Shou Enterprise Co., Ltd. | 9,809 | 4 | 11,525 | 5 |
| Others | <u>910</u> | <u>-</u> | <u>3,254</u> | <u>1</u> |
| | <u>\$ 25,031</u> | <u>9</u> | <u>\$ 18,156</u> | <u>7</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.

| | Six Months Ended June 30 | | | |
|------------------------------------------------------------------|---------------------------------|-----------------------|-------------------|-----------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 10) Nonoperating income - others | | | | |
| Yu Chang Motor Co., Ltd. | \$ 881 | 7 | \$ 1,045 | 9 |
| Yuan Lan Motor Co., Ltd. | 696 | 6 | 879 | 8 |
| Yushin Motor Co., Ltd. | 631 | 5 | 747 | 7 |
| Others | <u>2,767</u> | <u>23</u> | <u>6,057</u> | <u>55</u> |
| | <u>\$ 4,975</u> | <u>41</u> | <u>\$ 8,728</u> | <u>79</u> |
| 11) Nonoperating expenses and losses - overseas business expense | | | | |
| Yulon Management Co., Ltd. | \$ 6,171 | 29 | \$ 6,418 | 26 |
| Sinjang Co., Ltd. | 3,522 | 16 | 3,731 | 15 |
| Visionary International Consulting Co., Ltd. | 1,780 | 8 | 1,371 | 6 |
| Hua-Chuang Automobile Information Technical Center Co., Ltd. | 1,498 | 7 | 810 | 3 |
| Hui-Lian Motor Co. | <u>554</u> | <u>3</u> | <u>455</u> | <u>2</u> |
| | <u>\$ 13,525</u> | <u>63</u> | <u>\$ 12,785</u> | <u>52</u> |
| 12) Nonoperating expenses - others | | | | |
| Yuan Lon Motor Co., Ltd. | \$ 12 | 1 | \$ - | - |
| Others | <u>72</u> | <u>3</u> | <u>28</u> | <u>-</u> |
| | <u>\$ 84</u> | <u>4</u> | <u>\$ 28</u> | <u>-</u> |
| June 30 | | | | |
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 13) Notes and accounts receivable - related parties | | | | |
| Taiwan Acceptance Corporation | \$ 432,945 | 75 | \$ 614,548 | 77 |
| NMPI | 24,387 | 4 | 43,545 | 5 |
| Yulon | 14,397 | 3 | 17,930 | 2 |
| Jet Ford, Inc. | 11,995 | 2 | 20,964 | 3 |
| Sin Etke Technology Co., Ltd. | 11,397 | 2 | 11,495 | 1 |
| Chi Ho Corporation | 9,121 | 2 | 28,787 | 4 |
| Others | <u>70,483</u> | <u>12</u> | <u>66,952</u> | <u>8</u> |
| | <u>\$ 574,725</u> | <u>100</u> | <u>\$ 804,221</u> | <u>100</u> |

Jet Ford Inc. sells parts, steel and aluminum part for the Company. As of June 30, 2012 and 2011, the accounts receivable from Jet Ford Inc. resulted from such sales.

| | June 30 | | | |
|--------------------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | 2012 | | 2011 | |
| | Amount | % to Total | Amount | % to Total |
| 14) Refundable deposits | | | | |
| Ka-Plus Automobile Leasing Co., Ltd. | \$ 64,389 | 76 | \$ - | - |
| Yulon | <u>17,600</u> | <u>21</u> | <u>100</u> | <u>2</u> |
| | <u>\$ 81,989</u> | <u>97</u> | <u>\$ 100</u> | <u>2</u> |
| 15) Notes and accounts payable - related parties | | | | |
| Yulon | \$ 1,320,183 | 75 | \$ 1,725,282 | 81 |
| Nissan | 116,695 | 7 | 100,733 | 5 |
| Taiwan Acceptance Corporation | 75,137 | 4 | 71,004 | 3 |
| China Ogihara Corporation | 45,936 | 3 | - | - |
| Others | <u>199,584</u> | <u>11</u> | <u>240,961</u> | <u>11</u> |
| | <u>\$ 1,757,535</u> | <u>100</u> | <u>\$ 2,137,980</u> | <u>100</u> |

The accounts payable to China Ogihara Corporation results from the remaining payment of molds contract signed in prior year.

16) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$1,009,754 thousand and \$1,010,074 thousand for the six months ended June 30, 2012 and 2011, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the accounts receivable sold to Taiwan Acceptance Corporation were \$632 thousand and \$586 thousand for the six months ended June 30, 2012 and 2011, respectively.

17) Related-party sales of property, plant and equipment for the three months ended March 31, 2012 are summarized as follows:

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

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, the first payment is in the amount of \$86,528 thousand and is due upon contract signing and submission. The second payment is in the amount of \$129,793 thousand and is due three months before the official production of this type of car. The third payment is in the amount of \$86,528 thousand and is due one month after this type of car under production. The last payment is in the amount of \$129,793 thousand and is due six months after this type of car under production. This type of car has not been produced in the end of June 2012. 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 based on the accumulated amount of molds paid in prior year.

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

| | Six Months Ended June 30 | |
|--------------------------------|---------------------------------|-----------------|
| | 2012 | 2011 |
| Yulon | \$ 31,610 | \$ - |
| Yueki Industrial Co., Ltd. | 21,656 | 155 |
| Y-teks, Co. | 14,883 | 165 |
| Uni Auto Parts Co., Ltd. | 14,711 | 387 |
| Chien Tai Industry Co., Ltd. | 7,102 | - |
| Uni Calsonic Corporation | 5,710 | - |
| Yue Sheng Industrial Co., Ltd. | 5,006 | - |
| Others | <u>7,411</u> | <u>1,857</u> |
| | <u>\$ 108,089</u> | <u>\$ 2,564</u> |

20. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of June 30, 2012 were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of June 30, 2012, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

- b. The Company has a contract with Taiwan Acceptance Corporation for 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 June 30, 2012, no buy-back of vehicles has occurred.

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

| Year | Rental (Thousands) |
|--------------------|-----------------------|
| 3rd to 4th of 2012 | \$ 1,254 |
| 2013 | 2,508 |
| 2014 | 2,508 |
| 2015 | 2,508 |
| 2016 and after | 3,971 |

- d. The Company had commitment to buy computer equipment, other equipment, molds and dies for \$360 thousand, \$4,061 thousand, \$599,764 thousand and \$58,792 thousand, respectively.

21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

| | June 30 | | | |
|----------------------------------------------------------|--------------------|--------------|--------------------|------------|
| | 2012 | | 2011 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Nonderivative financial instruments</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,114,272 | \$ 1,114,272 | \$ 916,733 | \$ 916,733 |
| Financial assets at fair value through profit or loss | 2,949,732 | 2,949,732 | 3,818,713 | 3,818,713 |
| Notes and accounts receivable | 27,018 | 27,018 | 34,497 | 34,497 |
| Notes and accounts receivable - related parties | 574,725 | 574,725 | 804,221 | 804,221 |
| Other financial assets | 12,173 | 12,173 | 3,262 | 3,262 |
| Long-term equity investments | 21,767,784 | 21,767,784 | 16,371,045 | 16,371,045 |
| Refundable deposits | 84,465 | 84,465 | 4,245 | 4,245 |
| Liabilities: | | | | |
| Notes and accounts payable | 50,068 | 50,068 | 103,119 | 103,119 |
| Notes and accounts payable - related parties | 1,757,535 | 1,757,535 | 2,137,980 | 2,137,980 |
| Income tax payable | 227,495 | 227,495 | 95,443 | 95,443 |
| Accrued expenses | 569,899 | 569,899 | 513,417 | 513,417 |
| Dividend payable | 3,060,000 | 3,060,000 | 1,680,000 | 1,680,000 |
| Accrued pension liabilities | 480,513 | 480,513 | 458,171 | 458,171 |

- 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 is 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:

| | Amount Based on Quoted Market Price | | Amount Determined Using Valuation Techniques | |
|-----------------------------------------------------------|----------------------------------------|--------------|-------------------------------------------------|------------|
| | June 30 | | June 30 | |
| | 2012 | 2011 | 2012 | 2011 |
| Financial assets at fair value through profit or loss: | | | | |
| Financial assets held for trading | | | | |
| Mutual funds | \$ 2,889,583 | \$ 3,566,971 | \$ 60,149 | \$ 251,742 |

d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$3,492 thousand and \$719 thousand for the six months ended June 30, 2012 and 2011, respectively.

e. Information about financial risks

1) Market risk

The financial instruments categorized as financial assets at fair value through profit or loss are mainly mutual funds. Therefore, the market risk is the fluctuations of market price. In order to manage this risk, the 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 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)

| | June 30 | | | | | |
|-------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
| | 2012 | | | 2011 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | | | | |
| Monetary item | | | | | | |
| U.S. dollars | \$ 3,452 | 29.880 | \$ 103,146 | \$ 4,810 | 28.725 | \$ 138,167 |
| Japan Yen | 416,950 | 0.3754 | 156,523 | 294,259 | 0.3573 | 105,139 |

(Continued)

| | June 30 | | | | | |
|------------------------------|---------------------------|----------------------|---------------------------|---------------------------|----------------------|---------------------------|
| | 2012 | | | 2011 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Long-term equity investments | | | | | | |
| U.S. dollars | \$ 728,507 | 29.880 | \$ 21,767,784 | \$ 569,923 | 28.725 | \$ 16,371,045 |
| Financial liabilities | | | | | | |
| Monetary item | | | | | | |
| Japan Yen | 9,557 | 0.3754 | 3,588 | 3,062 | 0.3573 | 1,094 |
| Philippine pesos | - | - | - | 442 | 0.6794 | 300 |
| | | | | | | (Concluded) |

23. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate 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 over 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 as well as influences between the existing accounting policies, the summary of reconciliation converting to IFRSs, and the prospective accounting policies under IFRSs are presented in the consolidated financial statements.

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2012

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

| Investor | Securities Type and Name | Relationship with the Investor | Financial Statement Account | June 30, 2012 | | | | 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> | | | | | | | |
| | Yuanta Wan Tai Money Market Fund | - | Financial assets at fair value through profit or loss | 26,052 | \$ 379,978 | - | \$ 381,965 | |
| | Jih Sun Money Market Fund | - | Financial assets at fair value through profit or loss | 20,348 | 289,625 | - | 291,238 | |
| | Taishin North American Income Trust | - | Financial assets at fair value through profit or loss | 715 | 10,000 | - | 10,436 | |
| | Taishin 1699 Money Market Fund | - | Financial assets at fair value through profit or loss | 22,373 | 290,000 | - | 292,676 | |
| | Taishin Ta Chong Money Market Fund | - | Financial assets at fair value through profit or loss | 17,593 | 240,000 | - | 241,777 | |
| | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss | 5,867 | 70,000 | - | 71,056 | |
| | ING Taiwan Hong-Yang Money Market Fund | - | Financial assets at fair value through profit or loss | 2,422 | 40,000 | - | 40,152 | |
| | ING Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss | 5,086 | 80,000 | - | 80,317 | |
| | ING Investment Grade USD Credit Acc | - | Financial assets at fair value through profit or loss | 930 | 10,000 | - | 9,980 | |
| | Manulife Asia Pacific Bond Found A | - | Financial assets at fair value through profit or loss | 1,854 | 20,000 | - | 20,217 | |
| | Eastspring Inv Well Pool Money Market | - | Financial assets at fair value through profit or loss | 19,846 | 260,000 | - | 261,113 | |
| | Eastspring Inv Umbrella Fund Gbl Bd FoF | - | Financial assets at fair value through profit or loss | 1,672 | 20,000 | - | 20,319 | |
| | Prudential Financial Return Fund | - | Financial assets at fair value through profit or loss | 2,690 | 40,000 | - | 40,380 | |
| | PineBridge Gbl Emerging Mkt Hi Yld Bd A | - | Financial assets at fair value through profit or loss | 902 | 10,000 | - | 10,185 | |
| | FSITC Money Market Fund | - | Financial assets at fair value through profit or loss | 1,865 | 320,000 | - | 322,153 | |
| | KGI Victory Money Market Fund | - | Financial assets at fair value through profit or loss | 4,493 | 50,000 | - | 50,456 | |
| KGI Tumbler Fund | - | Financial assets at fair value through profit or loss | 5,819 | 58,718 | - | 60,149 | | |
| Fuh Hwa You Li Money Market | - | Financial assets at fair value through profit or loss | 3,832 | 50,000 | - | 50,044 | | |

(Continued)

| Investor | Securities Type and Name | Relationship with the Investor | Financial Statement Account | June 30, 2012 | | | | Note |
|--------------------------------------|--------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|--------------------|-------------------------|-------------------------|------------------------------------------|--------|
| | | | | Shares (Thousands) | Carrying Value (Note 1) | Percentage of Ownership | Market Value or Net Asset Value (Note 2) | |
| | Hua Nan Phoenix Money Market Fund | - | Financial assets at fair value through profit or loss | 6,360 | \$ 100,000 | - | \$ 100,341 | |
| | Paradigm Pion Money Market | - | Financial assets at fair value through profit or loss | 3,597 | 40,000 | - | 40,225 | |
| | TIIM Bond | - | Financial assets at fair value through profit or loss | 20,042 | 289,969 | - | 293,262 | |
| | Capital Money Market Fund | - | Financial assets at fair value through profit or loss | 5,778 | 90,000 | - | 90,173 | |
| | The RSIT Enhanced Money Market | - | Financial assets at fair value through profit or loss | 4,323 | 50,000 | - | 50,072 | |
| | JPM (Taiwan) Emerg Mkts Debt Acc | - | Financial assets at fair value through profit or loss | 1,942 | 20,000 | - | 20,000 | |
| | JPM (Taiwan) Asia High Yield Ttl Ret Bd | - | Financial assets at fair value through profit or loss | 939 | 10,000 | - | 10,080 | |
| | JPM (Taiwan) Emerg Mkts Debt Acc | - | Financial assets at fair value through profit or loss | 956 | 10,000 | - | 10,117 | |
| | Polaris De- Bao Money Market Securities Investment Trust Fund | - | Financial assets at fair value through profit or loss | 6,951 | 80,000 | - | 80,849 | |
| | <u>Stock</u> Yi-Jan Overseas Investment Co., Ltd. | Subsidiary | Long-term equity investments | 84,987 | 21,767,784 | 100.00 | 21,767,784 | Note 3 |
| 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\$ 728,281 | 100.00 | US\$ 728,281 | Note 3 |
| Jet Ford, Inc. | <u>Share certificates</u> Aeolus Xiangyang Automobile Co., Ltd. | Equity-method investee of Jet Ford, Inc. | Long-term equity investments | - | US\$ 48,624 | 16.55 | US\$ 46,420 | Note 4 |
| | Guangzhou Aeolus Automobile Co., Ltd. | Equity-method investee of Jet Ford, Inc. | Long-term equity investments | - | US\$ 233,754 | 40.00 | US\$ 234,016 | Note 3 |
| | Aeolus Automobile Co., Ltd. | Equity-method investee of Jet Ford, Inc. | Long-term equity investments | - | US\$ 69,542 | 33.12 | US\$ 69,542 | Note 3 |
| | Shenzhen Lan You Technology Co., Ltd. | Equity-method investee of Jet Ford, Inc. | Long-term equity investments | - | US\$ 10,153 | 45.00 | US\$ 10,153 | Note 4 |
| | Dong Feng Yulon Used Cars Co., Ltd. | Equity-method investee of Jet Ford, Inc. | Long-term equity investments | - | US\$ 1,217 | 49.00 | US\$ 1,217 | Note 4 |

Note 1: Financial assets at fair value through profit or loss are shown at their original carrying amounts without the adjustment of fair values.

Note 2: Financial assets which gain or loss arising from a change in the fair value are determined their fair values based on net asset value of fund and value of redemption at the end of June 2012.

Note 3: The carrying values and related investment income (loss) of the long-term investment were calculated based on the audited financial statements.

Note 4: The carrying values and related investment income (loss) of the long-term investment were calculated based on the unaudited financial statements.

(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
SIX MONTHS ENDED JUNE 30, 2012

(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. | Beneficiary certificates | | | | | | | | | | | | | |
| | Mirae Asset Solomon Money Market Fund | Financial assets at fair value through profit or loss | - | - | 8,212 | \$ 100,000 | 12,314 | \$ 150,000 | 20,526 | \$ 250,392 | \$ 250,000 | \$ 392 | - | \$ - |
| | FSITC Money Market Fund | Financial assets at fair value through profit or loss | - | - | 1,285 | 220,000 | 580 | 100,000 | - | - | - | - | 1,865 | 320,000 |
| | Yuanta Wan Tai Money Market Fund | Financial assets at fair value through profit or loss | - | - | 19,224 | 279,978 | 6,828 | 100,000 | - | - | - | - | 26,052 | 379,978 |
| | Eastspring Inv Well Pool Money Market | Financial assets at fair value through profit or loss | - | - | 12,220 | 160,000 | 7,626 | 100,000 | - | - | - | - | 19,846 | 260,000 |
| | Cathay Taiwan Money Market | Financial assets at fair value through profit or loss | - | - | - | - | 8,295 | 100,000 | 8,295 | 100,042 | 100,000 | 42 | - | - |
| | Hua Nan Phoenix Money Market Fund | Financial assets at fair value through profit or loss | - | - | - | - | 6,360 | 100,000 | - | - | - | - | 6,360 | 100,000 |
| Jet Ford, Inc. | Share certificates | | | | | | | | | | | | | |
| | Aeolus Automobile Co., Ltd. | Long-term equity investments | - | Equity-method investee of Jet Ford, Inc. | - | 345,322 (US\$ 10,890) | - | 228,199 (US\$ 7,820) | - | - | - | - | - | 573,521 (US\$ 18,710) |

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

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
SIX MONTHS ENDED JUNE 30, 2012

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

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction (Note 1) | | Note/Accounts Payable or Receivable (Note 2) | | Note |
|----------------------------------|-------------------------------|-------------------------------------------------|---------------------|---------------|------------|-------------------------------------------------------------------|-------------------------------|---------------|----------------------------------------------|------------|------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Yulon Nissan Motor Company, Ltd. | Yulon Motor Co., Ltd. | Equity-method investor of the Company | Purchase | \$ 14,179,121 | 98 | 180 days after sales for parts 3 days after sales for vehicles | \$ - | - | \$ (1,278,473) | 91 | - |
| | Nissan | Equity-method investor of the Company | Purchase | 121,536 | 1 | 30 days after sales for vehicles | - | - | - | - | - |
| | Taiwan Acceptance Corporation | Subsidiary of Yulon Motor Co., Ltd. | Sale | 15,423,656 | 89 | 4 days after sales for parts 3 days after sales for vehicles | - | - | 417,434 | 73 | - |
| | Yuan Lon Motor Co., Ltd. | Equity-method investee of Yulon Motor Co., Ltd. | Sale | 173,325 | 1 | 15 days after sales for parts | - | - | 6,008 | 1 | - |
| | Yu Chang Motor Co., Ltd. | Subsidiary of Yulon Motor Co., Ltd. | Sale | 167,598 | 1 | Same as above | - | - | 7,306 | 1 | - |
| | Yu Sing Motor Co., Ltd. | Subsidiary of Yulon Motor Co., Ltd. | Sale | 154,064 | 1 | 15 days after sales for parts Immediate payment for vehicles | - | - | 675 | - | - |
| | Chi Ho Corporation | Equity-method investee of Yulon Motor Co., Ltd. | Sale | 146,370 | 1 | 15 days after sales for parts 90 days after sales for vehicles | - | - | 9,121 | 2 | - |
| | Yushin Motor Co., Ltd. | Subsidiary of Yulon Motor Co., Ltd. | Sale | 126,586 | 1 | 15 days after sales for parts Immediate payment for vehicles | - | - | 5,273 | 1 | - |
| | Empower Motor Co., Ltd. | Subsidiary of Yulon Motor Co., Ltd. | Sale | 119,961 | 1 | 15 days after sales for parts | - | - | 2,553 | - | - |
| | Hui-Lian Motor Co., Ltd. | Equity-method investee of Yulon Motor Co., Ltd. | Sale | 117,770 | 1 | Same as above | - | - | - | - | - |
| | Yu Tang Motor Co., Ltd. | Equity-method investee of Yulon Motor Co., Ltd. | Sale | 116,769 | 1 | Same as above | - | - | - | - | - |
| | Chen Long Co., Ltd. | Equity-method investee of Yulon Motor Co., Ltd. | Sale | 114,778 | - | Same as above | - | - | - | - | - |

Note 1: Transaction terms are based on agreements.

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

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

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

JUNE 30, 2012

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

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|----------------------------------|-------------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------------|----------------------------|
| | | | | | Amount | Action Taken | | |
| Yulon Nissan Motor Company, Ltd. | Taiwan Acceptance Corporation | Subsidiary of Yulon | \$ 432,945 | 102.51 | \$ - | - | \$ 432,945 | \$ - |

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2012 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) (Notes 1) | Note |
|--------------------------------------|-------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------|-------------------|-----------------------------------|----------------------------------|------------------|
| | | | | June 30, 2012 | December 31, 2011 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Yulon Nissan Motor Company, Ltd. | Yi-Jan Overseas Investment Co., Ltd. | Cayman Islands | Investment | \$ 1,847,983 (US\$ 57,371) | \$ 1,847,983 (US\$ 57,371) | 84,987 | 100.00 | \$ 21,767,784 | \$ 2,873,330 | \$ 2,873,330 | Note 2 |
| Yi-Jan Overseas Investment Co., Ltd. | Jet Ford, Inc. Yi Hsing Corporation (Note 4) | British Virgin Islands Philippines | Investment Inquire of parts sales prices and commission-based business | US\$ 57,171 - | US\$ 57,171 US\$ 200 | 71,772 - | 100.00 - | US\$ 728,281 - | US\$ 96,843 US\$ (20) | US\$ 96,843 US\$ (20) | Note 2 Note 2 |
| Jet Ford, Inc. | Aeolus Xiangyang Automobile Co., Ltd. | Hubei (Mainland China) | Developing and manufacturing of parts and vehicles and related services | US\$ 21,700 | US\$ 21,700 | - | 16.55 | US\$ 48,624 | US\$ 19,808 | US\$ 3,061 | Note 3 |
| | 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\$ 233,754 | US\$ 122,483 | US\$ 48,433 | Note 2 |
| | Aeolus Automobile Co., Ltd. | Guangdong (Mainland China) | Developing and selling of parts and vehicles and related services | US\$ 18,710 | US\$ 10,890 | - | 33.12 | US\$ 69,542 | US\$ 138,810 | US\$ 39,935 | 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\$ 10,153 | US\$ (765) | US\$ (344) | Note 3 |
| | 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\$ 1,217 | US\$ 187 | US\$ 92 | Note 3 |

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

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

Note 3: The carrying values and related investment income (loss) of the long-term investment were calculated based on the unaudited financial statements.

Note 4: The Company invested in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. The operating activities of Yi Hsing Corporation had been terminated in February 2011; its liquidation had been completed on February 8, 2012.

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2012

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

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type (e.g., Direct or Indirect) | Accumulated Outflow of Investment from Taiwan as of January 1, 2012 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2012 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of June 30, 2012 | Accumulated Inward Remittance of Earnings as of June 30, 2012 |
|---------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------|---------------------------------------------------------------------|------------------|--------|-------------------------------------------------------------------|----------------------------------------------|---------------------------------|------------------------------------|---------------------------------------------------------------|
| | | | | | Outflow | Inflow | | | | | |
| Aeolus Xiangyang Automobile Co., Ltd. | Developing and manufacturing of parts and vehicles and related services | \$ 3,581,037 (RMB 826,000) | Note 1 | \$ 716,856 (US\$ 21,700) | \$ - | \$ - | \$ 716,856 (US\$ 21,700) | 16.55% | \$ 90,791 (US\$ 3,061) | \$ 1,452,875 (US\$ 48,624) | \$ - |
| 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% | 1,436,561 (US\$ 48,433) | 6,984,565 (US\$ 233,754) | 1,269,572 (US\$ 39,777) |
| Aeolus Automobile Co., Ltd. (Note 4) | Developing and selling of parts and vehicles and related services | 761,964 (RMB 194,400) | Note 1 | 345,322 (US\$ 10,890) | - | - | 345,322 (US\$ 10,890) | 33.12% | 1,184,518 (US\$ 39,935) | 2,077,929 (US\$ 69,542) | - |
| 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% | (10,213) (US\$ -344) | 303,366 (US\$ 10,153) | - |
| 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% | 2,724 (US\$ 92) | 36,364 (US\$ 1,217) | - |

| Accumulated Investment in Mainland China as of June 30, 2012 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3) |
|--------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------|
| \$1,653,855 (US\$51,249) | \$1,917,100 (US\$59,660) | \$11,490,188 |

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

Note 2: The carrying values and related investment income (loss) of Guangzhou Aeolus Automobile Co., Ltd. and Aeolus Automobile Co., Ltd. were based on the investee's audited financial statements, the rest were based on the investees' unaudited 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: Investment Commission, Ministry of Economic Affairs authorized Jet Ford Inc., a subsidiary of Yi-Jan Overseas Investment Co., acquired 8.12 percent shares of Shenzhen Lan You Technology Co., Ltd. on December 14, 2011 and authorized investment implementation on July 2, 2012.