

Yulon Nissan Motor Company, Ltd.

**Financial Statements for the
Nine Months Ended September 30, 2012 and 2011 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of September 30, 2012 and 2011, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as described in the third paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an 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 September 30, 2011, which were NT\$5,317,709 thousand, and the related investment income for the nine months then ended, which amounted to NT\$405,562 thousand, were based on the investees' unreviewed financial statements.

Based on our reviews, except for such adjustments, if any, as might have been determined to be necessary had the investment information mentioned in the third paragraph and the related information in the notes to financial statements been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

October 26, 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 review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS

SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

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)	\$ 569,030	3	\$ 371,740	2	Short-term loans (Note 12)	\$ 200,000	1	\$ -	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	291,595	1	3,159,132	13	Notes and accounts payable	22,969	-	66,934	-
Notes and accounts receivable (Notes 2 and 6)	40,395	-	31,434	-	Notes and accounts payable - related parties (Note 20)	1,616,953	6	2,113,767	9
Notes and accounts receivable - related parties (Note 20)	562,502	2	571,342	2	Income tax payable (Notes 2 and 16)	171,392	1	150,534	1
Other financial assets (Note 7)	15,994	-	9,573	-	Accrued expenses (Note 13)	437,935	2	398,782	2
Inventories (Notes 2 and 8)	1,938	-	1,640	-	Warranty (Note 2)	62,309	-	54,760	-
Prepayments	23,057	-	3,987	-	Other current liabilities	121,181	-	100,364	-
Deferred income tax assets, net (Notes 2 and 16)	32,212	-	24,900	-	Total current liabilities	2,632,739	10	2,885,141	12
Total current assets	1,536,723	6	4,173,748	17	OTHER LIABILITIES				
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	22,457,925	88	18,447,685	77	Accrued pension liabilities (Notes 2 and 17)	487,245	2	464,195	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)					Deferred income tax liabilities, net (Notes 2 and 16)	2,519,273	10	1,653,035	7
Cost					Warranty (Note 2)	95,980	-	85,727	-
Machinery and equipment	19,051	-	21,135	-	Total other liabilities	3,102,498	12	2,202,957	9
Transportation equipment	4,290	-	4,290	-	Total liabilities	5,735,237	22	5,088,098	21
Tools	5,694	-	5,694	-	STOCKHOLDERS' EQUITY (Notes 2 and 14)				
Computer equipment	83,019	1	84,484	1	Capital stock - NT\$10.00 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	12	3,000,000	12
Other equipment	81,709	-	80,455	-	Capital surplus				
Leasehold improvement	2,874	-	5,763	-	Excess from spin-off	5,986,507	23	5,986,507	25
Total cost	196,637	1	201,821	1	Gains on long-term investments	142,898	1	2,461	-
Less: Accumulated depreciation	158,831	1	166,415	1	Total capital surplus	6,129,405	24	5,988,968	25
Prepayments for equipment	3,127	-	816	-	Retained earnings				
Property, plant and equipment, net	40,933	-	36,222	-	Legal reserve	1,764,839	7	1,381,683	6
OTHER ASSETS					Special reserve	379,840	2	379,840	2
Refundable deposits (Note 20)	77,723	-	4,116	-	Unappropriated earnings	8,792,145	34	7,229,893	30
Deferred charges (Notes 2, 11 and 20)	1,435,666	6	1,298,693	6	Total retained earnings	10,936,824	43	8,991,416	38
Total other assets	1,513,389	6	1,302,809	6	Cumulative translation adjustments	(252,496)	(1)	891,982	4
TOTAL	\$ 25,548,970	100	\$ 23,960,464	100	Total stockholders' equity	19,813,733	78	18,872,366	79
					TOTAL	\$ 25,548,970	100	\$ 23,960,464	100

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

(With Deloitte & Touche review report dated October 26, 2012)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
SALES (Note 20)	\$ 23,787,244	100	\$ 25,073,453	100
LESS: SALES RETURNS	3,274	-	5,764	-
SALES ALLOWANCES	<u>1,388</u>	<u>-</u>	<u>2,664</u>	<u>-</u>
NET SALES	23,782,582	100	25,065,025	100
COST OF SALES (Note 20)	<u>20,570,012</u>	<u>87</u>	<u>21,529,172</u>	<u>86</u>
GROSS PROFIT	<u>3,212,570</u>	<u>13</u>	<u>3,535,853</u>	<u>14</u>
OPERATING EXPENSE (Note 20)				
Marketing and selling	1,681,312	7	1,909,565	8
General and administrative	296,714	1	314,992	1
Research and development	<u>408,308</u>	<u>2</u>	<u>399,022</u>	<u>1</u>
Total operating expenses	<u>2,386,334</u>	<u>10</u>	<u>2,623,579</u>	<u>10</u>
OPERATING INCOME	<u>826,236</u>	<u>3</u>	<u>912,274</u>	<u>4</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees (Note 9)	3,964,316	17	2,370,283	10
Gain on sale of investment, net	14,398	-	1,899	-
Interest income	2,760	-	515	-
Foreign exchange gain	2,346	-	14,307	-
Gain on valuation of financial asset	2,087	-	-	-
Gain on disposal of assets (Note 20)	445	-	-	-
Others (Note 20)	<u>25,108</u>	<u>-</u>	<u>41,209</u>	<u>-</u>
Total nonoperating income and gains	<u>4,011,460</u>	<u>17</u>	<u>2,428,213</u>	<u>10</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 20)	29,545	-	37,590	-
Interest expense (Note 20)	1,350	-	876	-
Loss on disposal of assets	265	-	-	-
Loss from valuation of financial assets	-	-	39,477	1
Others (Note 20)	<u>3,249</u>	<u>-</u>	<u>20,911</u>	<u>-</u>
Total nonoperating expenses and losses	<u>34,409</u>	<u>-</u>	<u>98,854</u>	<u>1</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 4,803,287	20	\$ 3,241,633	13
INCOME TAX EXPENSES (Notes 2 and 16)	<u>916,825</u>	<u>4</u>	<u>529,014</u>	<u>2</u>
NET INCOME	<u>\$ 3,886,462</u>	<u>16</u>	<u>\$ 2,712,619</u>	<u>11</u>
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 16.01</u>	<u>\$ 12.95</u>	<u>\$ 10.81</u>	<u>\$ 9.04</u>
Diluted	<u>\$ 16.00</u>	<u>\$ 12.94</u>	<u>\$ 10.78</u>	<u>\$ 9.02</u>

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

(With Deloitte & Touche review report dated October 26, 2012)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,886,462	\$ 2,712,619
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	415,976	393,854
Gain on sale of investments, net	(14,398)	(1,899)
Equity in net income of investees	(3,964,316)	(2,370,283)
Loss (gain) from valuation of financial assets	(2,087)	39,477
Gains on sale of fixed assets	(445)	-
Loss on sale of fixed assets	265	-
Deferred income taxes	684,360	495,797
Provision for pension costs	18,065	14,609
Provision for loss on inventory purchase commitment	(21,712)	13,351
Provision for warranty liabilities	16,935	33,333
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,986,891	(1,085,962)
Notes and accounts receivable	(17,978)	(4,975)
Notes and accounts receivable - related parties	(24,395)	(247,737)
Other financial assets	436,651	604,383
Inventories	(145)	(624)
Prepayments	10,578	579
Other current assets	415	-
Notes and accounts payable	18,947	(61,976)
Notes and accounts payable - related parties	46,340	1,038,070
Income tax payable	(41,846)	99,549
Accrued expenses	(121,993)	(87,681)
Other current liabilities	(13,615)	(8,564)
Net cash provided by operating activities	<u>3,298,955</u>	<u>1,575,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(15,131)	(7,622)
Proceeds from disposal of property, plant and equipment	500	-
Increase in refundable deposits	(58,073)	(1,436)
Increase in deferred charges	<u>(541,133)</u>	<u>(192,249)</u>
Net cash used in investing activities	<u>(613,837)</u>	<u>(201,307)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	200,000	-
Cash dividend paid	<u>(3,060,000)</u>	<u>(1,680,000)</u>
Net cash used in financing activities	<u>(2,860,000)</u>	<u>(1,680,000)</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (174,882)	\$ (305,387)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>743,912</u>	<u>677,127</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 569,030</u>	<u>\$ 371,740</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	<u>\$ 1,350</u>	<u>\$ 882</u>
Income tax	<u>\$ 274,311</u>	<u>\$ 77,016</u>

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

(With Deloitte & Touche review report dated October 26, 2012)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

(Reviewed, Not Audited)

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 September 30, 2012 and 2011, the Company had 420 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”). The Company’s significant accounting policies are summarized as follows:

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

Foreign-currency Transactions

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

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

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	380,835	249,610
Time deposits, annual yield rate - 2012: 0.88%-0.94%; 2011: 0.88%-0.94%	75,000	3,000
Foreign-currency demand deposits	<u>113,175</u>	<u>106,637</u>
	569,030	359,267
Cash equivalents		
Foreign commercial papers, annual yield rate 1.50%	<u>-</u>	<u>12,473</u>
	<u>\$ 569,030</u>	<u>\$ 371,740</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Financial assets held for trading		
Mutual funds	<u>\$ 291,595</u>	<u>\$ 3,159,132</u>

Net gain (loss) on financial assets held for trading for the nine months ended September 30, 2012 and 2011 was \$16,485 thousand and \$(37,578) thousand, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Notes receivable	\$ 58	\$ 61
Accounts receivable	<u>40,337</u>	<u>31,373</u>
	<u>\$ 40,395</u>	<u>\$ 31,434</u>

7. OTHER FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Tax refund receivable	\$ 4,938	\$ 37
Interest receivable	124	14
Others	<u>10,932</u>	<u>9,522</u>
	<u>\$ 15,994</u>	<u>\$ 9,573</u>

8. INVENTORIES

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Parts	\$ <u>1,938</u>	\$ <u>1,640</u>

The cost of inventories recognized as cost of sales for the nine months ended September 30, 2012 was \$20,570,012 thousand, which included warranty cost of \$52,411 thousand and reversal of loss on inventory purchase commitment of \$21,712 thousand. The cost of inventories recognized as cost of sales for the nine months ended September 30, 2011 was \$21,529,172 thousand, which included warranty cost of \$71,410 thousand and loss on inventory purchase commitment of \$13,351 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	<u>September 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>22,457,925</u>	100	\$ <u>18,447,685</u>	100

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

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

Jet Ford Inc. a subsidiary of Yi-Jan Overseas Investment Co., Ltd. originally acquired 25 percent of shares of Aeolus Automobile Co., Ltd. and the investment amount was US\$10,890 thousand. Jet Ford Inc. further acquired another 8.12 percent of shares of Aeolus Automobile Co., Ltd. in May 2012, and the investment amount was US\$7,820 thousand. As of September 30, 2012, the accumulated investment amount was 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 September 30, 2012, the carrying values and related investment income (loss) of long-term equity investments were based on the investees' reviewed financial statements.

As of September 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' reviewed financial statements, the rest were based on the investees' unreviewed financial statements. The carrying values of the long-term investments as of September 30, 2011, which amounted to \$5,317,709 thousand, and the related investment income for the nine months then ended, which amounted to \$405,562 thousand, were based on the investees' unreviewed financial statements.

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

10. PROPERTY, PLANT AND EQUIPMENT

	<u>September 30</u>	
	2012	2011
Accumulated depreciation		
Machinery and equipment	\$ 15,781	\$ 17,102
Transportation equipment	4,071	3,953
Tools	4,827	4,277
Computer equipment	67,346	71,266
Other equipment	65,067	66,704
Leasehold improvement	<u>1,739</u>	<u>3,113</u>
	<u>\$ 158,831</u>	<u>\$ 166,415</u>

Depreciation of property, plant and equipment amounted to \$11,044 thousand and \$12,240 thousand for the nine months ended September 30, 2012 and 2011, respectively.

11. DEFERRED CHARGES

	<u>September 30</u>	
	2012	2011
Molds	\$ 1,143,357	\$ 1,053,849
Dies	282,020	230,506
Computer software	<u>10,289</u>	<u>14,338</u>
	<u>\$ 1,435,666</u>	<u>\$ 1,298,693</u>

Amortization of deferred charges amounted to \$404,932 thousand and \$381,614 thousand for the nine months ended September 30, 2012 and 2011, respectively.

12. SHORT-TERM LOANS

The short-term loans were credit loans from Hua Nan Bank with annual interest rate of 1.15% as of September 30, 2012.

13. ACCRUED EXPENSES

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Wages and bonuses	\$ 264,164	\$ 215,891
Promotion expenses	109,144	147,598
Others	<u>64,627</u>	<u>35,293</u>
	<u>\$ 437,935</u>	<u>\$ 398,782</u>

14. 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 nine months ended September 30, 2012 was calculated at 0.68% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for nine months ended September 30, 2011 was calculated at 1.38% of net income net of the 10% deduction for legal reserve.

If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' 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 stockholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The distribution of the 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.

15. 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 \$371,682 thousand and \$348,228 thousand for the nine months ended September 30, 2012 and 2011, respectively, were recorded under costs of sales.

16. INCOME TAX

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

	Nine Months Ended September 30	
	2012	2011
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 816,559	\$ 551,078
Add (deduct) tax effects of:		
Permanent differences	5,832	6,544
Temporary differences	(693,952)	(416,957)
Additional tax on retained earnings (10%)	122,841	91,551
Loss carryforwards used	-	(40,468)
Investment tax credits	-	(45,093)
	<u> </u>	<u> </u>
Income tax payable	<u>\$ 251,280</u>	<u>\$ 146,655</u>

The balance of the income tax payable shown on the balance sheet as of September 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:

	Nine Months Ended September 30	
	2012	2011
Income tax payable	\$ 251,280	\$ 146,655
Deferred income tax	684,360	495,797
Prior years' income tax adjustments	<u>(18,815)</u>	<u>(113,438)</u>
Income tax expense	<u>\$ 916,825</u>	<u>\$ 529,014</u>

The prior years' income tax adjustments recognized for the nine months ended September 30, 2012 arose from tax exemption from 2004 to 2007 re-examined by tax authorities.

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

	September 30	
	2012	2011
Current		
Provision for loss on inventory purchase commitment	\$ 17,362	\$ 13,499
Provision for warranty	10,592	9,309
Unrealized foreign exchange loss	<u>4,258</u>	<u>2,092</u>
Deferred income tax assets	<u>\$ 32,212</u>	<u>\$ 24,900</u>

(Continued)

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Noncurrent		
Provision for pension	\$ 82,762	\$ 78,870
Impairment loss difference between financial accounting and taxation	23,993	50,593
Provision for warranty	16,317	14,574
Investment tax credits	9,550	2,395
Equity in net income of overseas subsidiaries	<u>(2,651,895)</u>	<u>(1,799,467)</u>
Net deferred income tax liabilities	<u>\$ (2,519,273)</u>	<u>\$ (1,653,035)</u> (Concluded)

The Company has investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries. As of September 30, 2012, the amount of the investment under the plans totaled \$95,497 thousand, with investment tax credits amount of \$9,550 thousand.

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

	<u>September 30</u>	
	<u>2012</u>	<u>2011</u>
Balance of imputation credit account ("ICA")	<u>\$ 241,130</u>	<u>\$ 219,587</u>

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

17. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan were \$9,158 thousand and \$8,259 thousand for the nine months ended September 30, 2012 and 2011, respectively. Accrued pension liabilities under defined contribution plan amounted to \$2,061 thousand and \$1,909 thousand as of September 30, 2012 and 2011, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company has set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Company makes monthly contributions to a retirement fund amounts equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan. Pension expenses recognized under the defined benefit plan were \$21,569 thousand and \$22,226 thousand for the nine months ended September 30, 2012 and 2011, respectively. Pension fund amounted to \$6,983 thousand and \$3,884 thousand as of September 30, 2012 and 2011, respectively. Accrued pension liabilities recognized under the defined benefit plan were \$485,184 thousand and \$462,286 thousand as of September 30, 2012 and 2011, respectively.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>Nine Months Ended September 30, 2012</u>		
	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 688	\$ 430,005	\$ 430,693
Labor and health insurance	-	22,270	22,270
Pension	-	29,889	29,889
Other personnel expenses	<u>-</u>	<u>18,400</u>	<u>18,400</u>
	<u>\$ 688</u>	<u>\$ 500,564</u>	<u>\$ 501,252</u>
Depreciation	<u>\$ -</u>	<u>\$ 11,044</u>	<u>\$ 11,044</u>
Amortization	<u>\$ 399,890</u>	<u>\$ 5,042</u>	<u>\$ 404,932</u>
	<u>Nine Months Ended September 30, 2011</u>		
	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 749	\$ 432,793	\$ 433,542
Labor and health insurance	-	20,532	20,532
Pension	-	29,465	29,465
Other personnel expenses	<u>-</u>	<u>19,448</u>	<u>19,448</u>
	<u>\$ 749</u>	<u>\$ 502,238</u>	<u>\$ 502,987</u>
Depreciation	<u>\$ -</u>	<u>\$ 12,240</u>	<u>\$ 12,240</u>
Amortization	<u>\$ 376,945</u>	<u>\$ 4,669</u>	<u>\$ 381,614</u>

19. 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>Nine months ended September 30, 2012</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 4,803,287	\$ 3,886,462	300,000	<u>\$ 16.01</u>	<u>\$ 12.95</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>245</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 4,803,287</u>	<u>\$ 3,886,462</u>	<u>300,245</u>	<u>\$ 16.00</u>	<u>\$ 12.94</u>

(Continued)

	<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>Nine months ended September 30, 2011</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 3,241,633	\$ 2,712,619	300,000	<u>\$ 10.81</u>	<u>\$ 9.04</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>733</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 3,241,633</u>	<u>\$ 2,712,619</u>	<u>300,733</u>	<u>\$ 10.78</u>	<u>\$ 9.02</u>

(Concluded)

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

20. RELATED-PARTY TRANSACTIONS

The Company had business transactions with the following related parties:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Nissan Motor Corporation (“Nissan”)	Parent company
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan S.A. (Pty) Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan 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.	Same as above
Allied Engineering Co., Ltd.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
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
Nissan Motor Philippines, Inc. (NMPI)	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
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
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.
Taiway, Ltd.	Equity-method investee of Yulon
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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>Nine Months Ended September 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	\$ 20,760,959	87	\$ 22,156,214	88
Yuan Lon Motor Co., Ltd.	259,265	1	256,829	1
Yu Chang Motor Co., Ltd.	250,733	1	247,972	1
Yu Sing Motor Co., Ltd.	223,927	1	218,241	1
Chi Ho Corporation	203,004	1	228,406	1
Hui-Lian Motor Co.	183,067	1	163,332	1
Yushin Motor Co., Ltd.	181,934	1	163,575	1
Empower Motor Co., Ltd.	180,407	1	164,787	1
Yu Tang Motor Co., Ltd.	171,788	1	160,748	-
Chen Long Co., Ltd.	171,119	1	165,087	1
NMI	61,861	-	27,607	-
Yu Pool Co., Ltd.	54,022	-	46,794	-
Nissan Motor Egypt S.A.E.	51,312	-	108,786	-
Others	<u>386,205</u>	<u>1</u>	<u>491,604</u>	<u>2</u>
	<u>\$ 23,139,603</u>	<u>97</u>	<u>\$ 24,599,982</u>	<u>98</u>

2) Operating revenue - service revenue

Nissan	<u>\$ 6,747</u>	<u>100</u>	<u>\$ 7,835</u>	<u>100</u>
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The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts.

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
3) Operating revenue - others				
Yulon	\$ 20,971	83	\$ 33,590	69
Hua-Chuang Automobile Information Technical Center Co., Ltd.	2,603	10	4,021	8
Others	<u>626</u>	<u>3</u>	<u>11,036</u>	<u>22</u>
	<u>\$ 24,200</u>	<u>96</u>	<u>\$ 48,647</u>	<u>99</u>

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

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
4) Operating cost - purchase				
Yulon	\$ 19,561,213	98	\$ 20,644,917	99
Nissan	125,436	1	-	-
Others	<u>41,959</u>	<u>-</u>	<u>49,771</u>	<u>-</u>
	<u>\$ 19,728,608</u>	<u>99</u>	<u>\$ 20,694,688</u>	<u>99</u>

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

Nissan	<u>\$ 371,682</u>	<u>100</u>	<u>\$ 348,228</u>	<u>100</u>
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6) Operating expenses - rental

Yulon	\$ 15,748	35	\$ 11,004	24
Ka-Plus Automobile Leasing Co., Ltd.	5,778	13	6,049	13
Sin Etke Technology Co., Ltd.	1,863	4	2,187	5
Hsieh Kuan Manpower Service Co., Ltd.	1,332	3	1,717	4
Tang Li Enterprise Co., Ltd.	828	2	839	2
Others	<u>209</u>	<u>1</u>	<u>250</u>	<u>-</u>
	<u>\$ 25,758</u>	<u>58</u>	<u>\$ 22,046</u>	<u>48</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 services for its executives and charges monthly.

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Yu Sing Motor Co., Ltd.	\$ 160,039	10	\$ 170,548	9
Yu Chang Motor Co., Ltd.	146,149	9	168,800	9
Yuan Lon Motor Co., Ltd.	116,229	7	134,521	7
Empower Motor Co., Ltd.	104,906	6	95,608	5
Hui-Lian Motor Co., Ltd.	103,987	6	98,698	5
Yushin Motor Co., Ltd.	95,700	6	99,174	5
Chen Long Co., Ltd.	94,528	5	94,552	5
Yu Tang Motor Co., Ltd.	82,582	5	76,449	4
Chi Ho Corporation	67,645	4	91,886	5
Others	<u>138,025</u>	<u>8</u>	<u>324,873</u>	<u>17</u>
	<u>\$ 1,109,790</u>	<u>66</u>	<u>\$ 1,355,109</u>	<u>71</u>

8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 130,950	44	\$ 131,027	41
Yulon	11,966	4	15,596	5
Tokio Marine Newa Insurance Co., Ltd.	2,015	1	852	-
Others	<u>7,014</u>	<u>2</u>	<u>7,400</u>	<u>3</u>
	<u>\$ 151,945</u>	<u>51</u>	<u>\$ 154,875</u>	<u>49</u>

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

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - research and development expense				
Yulon	\$ 28,736	7	\$ 11,508	3
Hsiang Shou Enterprise Co., Ltd.	14,714	4	17,420	4
Others	<u>2,850</u>	<u>-</u>	<u>3,392</u>	<u>1</u>
	<u>\$ 46,300</u>	<u>11</u>	<u>\$ 32,320</u>	<u>8</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.

	Nine Months Ended September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income and gains - others				
Yuan Lon Motor Co., Ltd.	\$ 1,442	6	\$ 1,426	3
Yu Chang Motor Co., Ltd.	1,365	5	1,919	5
Chen Long Co., Ltd.	1,136	5	470	1
Others	<u>5,499</u>	<u>22</u>	<u>8,979</u>	<u>22</u>
	<u>\$ 9,442</u>	<u>38</u>	<u>\$ 12,794</u>	<u>31</u>
11) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	\$ 14,149	48	\$ 17,820	48
Sinjang Co., Ltd.	5,249	18	6,084	16
Visionary International Consulting Co., Ltd.	2,890	10	2,011	5
Others	<u>2,349</u>	<u>7</u>	<u>2,003</u>	<u>5</u>
	<u>\$ 24,637</u>	<u>83</u>	<u>\$ 27,918</u>	<u>74</u>
12) Nonoperating expenses and losses - others				
Kian Shen Corporation	\$ 226	7	\$ -	-
Others	<u>94</u>	<u>3</u>	<u>7,113</u>	<u>34</u>
	<u>\$ 320</u>	<u>10</u>	<u>\$ 7,113</u>	<u>34</u>
	September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
13) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 390,967	69	\$ 313,614	55
Jet Ford, Inc.	26,671	5	42,106	7
NMPI	21,780	4	43,946	8
Nissan Motor Egypt S.A.E.	20,470	4	52,849	9
Sin Etke Technology Co., Ltd.	15,114	3	19,904	3
Others	<u>87,500</u>	<u>15</u>	<u>98,923</u>	<u>18</u>
	<u>\$ 562,502</u>	<u>100</u>	<u>\$ 571,342</u>	<u>100</u>

Jet Ford Inc. sells auto parts, steel and aluminum parts for the Company. As of September 30, 2012 and 2011, the accounts receivable from Jet Ford Inc. resulted from such sales. The Company's accounts receivable arises from sale of parts to NMPI, Nissan Motor Egypt S.A.E and Sin Etke Technology Co., Ltd.

	September 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
14) Refundable deposits				
Ka-Plus Automobile Leasing Co., Ltd.	\$ 58,560	75	\$ -	-
Yulon	<u>17,600</u>	<u>23</u>	<u>100</u>	<u>2</u>
	<u>\$ 76,160</u>	<u>98</u>	<u>\$ 100</u>	<u>2</u>
15) Notes and accounts payable - related parties				
Yulon	\$ 1,215,039	75	\$ 1,640,170	78
Nissan	99,590	6	118,299	6
Taiwan Acceptance Corporation	71,329	4	72,871	3
China Ogihara Corporation	28,182	2	-	-
Others	<u>202,813</u>	<u>13</u>	<u>282,427</u>	<u>13</u>
	<u>\$ 1,616,953</u>	<u>100</u>	<u>\$ 2,113,767</u>	<u>100</u>

The accounts payable to China Ogihara Corporation are the unpaid amount for molds contract signed in prior year.

16) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$1,530,595 thousand and \$1,501,806 thousand for the nine months ended September 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 \$948 thousand and \$772 thousand for the nine months ended September 30, 2012 and 2011, respectively.

17) The Company purchased other equipment which amounted to \$440 thousand and \$215 thousand for the nine months ended September 30, 2012 from Singgual Technology Co., Ltd. and Yulon, respectively. The other equipment was recorded under property, plant and equipment.

18) Related-party sales of property, plant and equipment for the nine months ended September 30, 2012 are summarized as follows:

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

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

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

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

	Nine Months Ended September 30	
	2012	2011
Yulon	\$ 35,910	\$ -
Yueki Industrial Co., Ltd.	24,502	9,244
Uni Auto Parts Co., Ltd.	19,345	2,199
Allied Engineering Co., Ltd.	16,909	192
Y-teks, Co.	14,883	4,694
Chien Tai Industry Co., Ltd.	7,718	3,624
Others	<u>12,852</u>	<u>9,205</u>
	<u>\$ 132,119</u>	<u>\$ 29,158</u>

21. SIGNIFICANT COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of September 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 September 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 September 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)
4th quarter of 2012	\$ 627
2013	2,508
2014	2,508
2015	2,508
2016 and after	3,971

- d. The Company had commitments to buy computer equipment for \$360 thousand, molds for \$752,797 thousand and dies for \$141,794 thousand.

22. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments:

	September 30			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 569,030	\$ 569,030	\$ 371,740	\$ 371,740
Financial assets at fair value through profit or loss	291,595	291,595	3,159,132	3,159,132
Notes and accounts receivable	40,395	40,395	31,434	31,434
Notes and accounts receivable - related parties	562,502	562,502	571,342	571,342
Other financial assets	15,994	15,994	9,573	9,573
Long-term equity investments	22,457,925	22,457,925	18,447,685	18,447,685
Refundable deposits	77,723	77,723	4,116	4,116
Liabilities				
Short-term loans	200,000	200,000	-	-
Notes and accounts payable	22,969	22,969	66,934	66,934
Notes and accounts payable - related parties	1,616,953	1,616,953	2,113,767	2,113,767
Income tax payable	171,392	171,392	150,534	150,534
Accrued expenses	437,935	437,935	398,782	398,782
Accrued pension liabilities	487,245	487,245	464,195	464,195

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

c. Fair value of financial instruments was as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	September 30		September 30	
	2012	2011	2012	2011
Financial assets at fair value through profit or loss: Financial assets held for trading				
Mutual funds	\$ 291,595	\$ 2,925,616	\$ -	\$ 233,516

d. Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were \$1,428 thousand and \$7,507 thousand for the nine months ended September 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 counterparties defaults are anticipated.

3) Liquidity risk

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

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

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

	September 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	\$ 3,036	29.295	\$ 88,940	\$ 5,082	30.48	\$ 154,899
Japan Yen	231,824	0.3777	87,560	291,491	0.3975	115,868

(Continued)

	September 30					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Long-term equity investments						
U.S. dollars	\$ 766,613	29.295	\$ 22,457,925	\$ 605,239	30.48	\$ 18,447,685
<u>Financial liabilities</u>						
Monetary item						
Japan Yen	2,298	0.3777	868	2,876	0.3975	1,143
U.S. dollars	173	29.295	5,068	-	-	-
Philippine pesos	-	-	-	442	0.7144	316
						(Concluded)

24. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real 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 on which the Company exercises significant influence: Table 5 (attached)
- j. Derivative financial transactions: None
- k. Investment in Mainland China
 - 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 6 (attached)

- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
- a) Amount and percentage of purchase; the balance and percentage of related accounts payables:
None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivables:
None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged:
None
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

25. OPERATING SEGMENTS INFORMATION

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

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

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the 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 INVESTEES

MARKETABLE SECURITIES HELD

SEPTEMBER 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	September 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> ING Global Bond Portfolio Fund	-	Financial assets at fair value through profit or loss	814	\$ 10,000	-	\$ 10,000	
	PineBridge Gbl Emerging Mkt Hi Yld Bd Fund	-	Financial assets at fair value through profit or loss	841	10,000	-	10,016	
	Franklin Temp SinoAm Gbl Hi Yld Bd Fund	-	Financial assets at fair value through profit or loss	966	10,000	-	9,871	
	JPM (Taiwan) Emerg Mkts Debt Acc Fund	-	Financial assets at fair value through profit or loss	907	10,000	-	9,982	
	PCA Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss	7,626	99,905	-	100,516	
	Eastspring Inv Asia Pacific REITs Fund	-	Financial assets at fair value through profit or loss	1,151	10,000	-	10,000	
	Eastspring Inv Umbrella Fund Gbl Bd FOF	-	Financial assets at fair value through profit or loss	1,672	20,000	-	21,019	
	Reliance Wealth Bond Fund	-	Financial assets at fair value through profit or loss	2,746	30,000	-	30,038	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	2,723	40,000	-	40,000	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	3,827	49,603	-	50,153	
Yulon Nissan Motor Company, Ltd.	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	22,457,925	100.00	22,457,925	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\$ 766,387	100.00	US\$ 766,387	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\$ 46,929	16.55	US\$ 44,839	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 249,617	40.00	US\$ 250,159	Note 3
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 93,073	33.12	US\$ 93,073	Note 3

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	September 30, 2012				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 10,202	45.00	US\$ 10,202	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 1,237	49.00	US\$ 1,237	Note 3

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: Gain or loss is recognized on the changes in fair value of financial instruments. Fair values are based on net asset value of fund and value for redemption at the end of September 2012.

Note 3: The carrying values and related investment income (loss) of the long-term investment were calculated based on the reviewed 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
 NINE MONTHS ENDED SEPTEMBER 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.	<u>Beneficiary certificates</u>													
	Taishin Ta Chong Money Market Fund	Financial assets at fair value through profit or loss	-	-	13,952	\$ 190,000	3,642	\$ 50,000	17,594	\$ 241,969	\$ 240,000	\$ 1,969	-	\$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	19,224	279,978	9,551	140,000	26,052	382,270	379,978	2,292	2,723	40,000
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	16,142	229,625	8,394	120,000	24,536	351,482	349,625	1,857	-	-
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss	-	-	18,546	240,000	3,827	50,000	18,546	242,837	240,397	2,440	3,827	49,603
	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	-	-
	ING Global Bond Fund	Financial assets at fair value through profit or loss	-	-	3,185	50,000	5,695	90,000	8,880	140,387	140,000	387	-	-
	TIIM Bond Fund	Financial assets at fair value through profit or loss	-	-	15,941	229,969	4,101	60,000	20,042	293,491	289,969	3,522	-	-
	PCA Well Pool Money Market Fund	Financial assets at fair value through profit or loss	-	-	12,220	160,000	7,626	100,000	12,220	161,072	160,095	977	7,626	99,905
	Cathay Taiwan Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,947	120,000	9,947	120,047	120,000	47	-	-
	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	1,285	220,000	580	100,000	1,865	322,399	320,000	2,399	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,360	100,000	6,360	100,416	100,000	416	-	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss	-	-	3,215	50,000	4,483	70,000	7,698	120,258	120,000	258	-	-
Jet Ford, Inc.	<u>Share certificates</u>													
	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
 NINE MONTHS ENDED SEPTEMBER 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	\$ 19,561,213	98	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (1,191,344)	95	-
	Nissan	Equity-method investor of the Company	Purchase	125,436	1	30 days after sales for vehicles	-	-	-	-	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	20,760,959	87	4 days after sales for parts 3 days after sales for vehicles	-	-	375,699	70	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	259,265	1	15 days after sales for parts	-	-	5,296	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	250,733	1	15 days after sales for parts Immediate payment for vehicles	-	-	4,466	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	223,927	1	15 days after sales for parts Immediate payment for vehicles	-	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	203,004	1	15 days after sales for parts 90 days after sales for vehicles	-	-	595	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	183,067	1	15 days after sales for parts	-	-	-	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	181,934	1	15 days after sales for parts Immediate payment for vehicles	-	-	458	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	180,407	1	15 days after sales for parts	-	-	1,872	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	171,788	1	Same as above	-	-	-	-	-
	Chen Long Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	171,119	1	Same as above	-	-	-	-	-

Note 1: Transaction terms are based on agreements.

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

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

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

SEPTEMBER 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	\$ 390,967	98.89	\$ -	-	\$ 390,967	\$ -

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

NINE MONTHS ENDED SEPTEMBER 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 September 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				September 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	\$ 22,457,925	\$ 3,964,316	\$ 3,964,316	Note 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc. Yi Hsing Corporation (Note 3)	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\$ 766,387 -	US\$ 133,382 (US\$ -20)	US\$ 133,382 (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\$ 46,929	US\$ 10,908	US\$ 1,480	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	40.00	US\$ 249,617	US\$ 164,329	US\$ 64,892	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\$ 93,073	US\$ 210,448	US\$ 63,662	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\$ 10,202	(US\$ -596)	(US\$ -268)	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars.	US\$ 593	US\$ 593	-	49.00	US\$ 1,237	US\$ 235	US\$ 115	Note 2

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

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 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 September 30, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2012	Accumulated Inward Remittance of Earnings as of September 30, 2012
					Outflow (Note 5)	Inflow					
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55%	\$ 43,971 (US\$ 1,480)	\$ 1,374,780 (US\$ 46,929)	\$ -
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%	1,928,253 (US\$ 64,892)	7,312,534 (US\$ 249,617)	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)	187,787 (US\$ 5,922)	-	533,109 (US\$ 16,812)	33.12%	1,891,711 (US\$ 63,662)	2,726,585 (US\$ 93,073)	-
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%	(7,976) (US\$ -268)	298,874 (US\$ 10,202)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00%	3,425 (US\$ 115)	36,249 (US\$ 1,237)	-

Accumulated Investment in Mainland China as of September 30, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$11,888,240

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

Note 2: The carrying values and related investment income (loss) of the long-term investment were calculated based on the reviewed 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: The Investment Commission, Ministry of Economic Affairs authorized Jet Ford Inc., a subsidiary of Yi-Jan Overseas Investment Co., to acquire 8.12 percent of the shares of Aeolus Automobile Co., Ltd. on December 14, 2011 and authorized investment implementation on July 2, 2012.

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

