Yulon Nissan Motor Company, Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2014 and 2013 and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Yulon Nissan Motor Company, Ltd. (the "Company") and subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Standards for the Review of 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.

Based on our reviews, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, "Interim Financial Reporting."

Deloitte & Touche

May 9, 2014

<u>*Notice to Readers*</u>

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	March 31, 2014 (Reviewed)		December 31, 2013 (Audited)		March 31, 2013 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 9,392,589	26	$ 8,567,899	24	$ 4,517,047	15
Financial assets at fair value through profit or loss (Notes 4 and 7)	183,080	1	434,741	1	242,146	1
Notes receivable (Notes 4 and 8)	1,456	-	27	-	84	-
Notes receivable - related parties (Notes 4 and 28)	4,074	-	2,312	-	2,203	-
Trade receivables (Notes 4 and 8)	55,287	-	41,706	-	58,145	-
Trade receivables - related parties (Notes 4 and 28)	854,663	2	286,196	1	488,982	2
Other receivables (Notes 4 and 8)	2,810,292	8	351,164	1	3,114,063	11
Inventories (Notes 4 and 9)	5,014	-	2,047	-	1,901	-
Prepayments	347,577	1	877,335	3	715,929	2
Other financial assets (Note 10)	6,141,092	17	7,572,375	21	6,011,716	21
Total current assets	19,795,124	55	18,135,802	51	15,152,216	52
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 4 and 11)	14,129,164	39	14,989,267	42	11,868,686	41
Property, plant and equipment (Notes 4, 12 and 28)	1,834,146	5	1,748,604	5	1,666,402	6
Computer software (Notes 4 and 13)	6,564	-	7,887	-	9,684	-
Deferred tax assets (Note 4)	178,758	-	188,363	1	208,126	1
Other non-current assets (Notes 14 and 28)	362,651	1	249,042	1	62,510	-
Total non-current assets	16,511,283	45	17,183,163	49	13,815,408	48
TOTAL	$ 36,306,407	100	$ 35,318,965	100	$ 28,967,624	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	$ 2,630,000	7	$ 2,630,000	8	$ 200,000	1
Notes payable - related parties (Note 28)	-	-	1,536	-	-	-
Trade payables	65,460	-	127,494	-	98,874	-
Trade payables - related parties (Note 28)	1,040,327	3	1,073,092	3	1,495,603	5
Other payables (Note 16)	493,724	1	657,680	2	433,207	1
Current tax liabilities (Note 4)	868,652	3	490,530	1	200,865	1
Provisions (Notes 4 and 18)	157,061	1	169,129	1	149,172	1
Deferred revenue (Note 17)	1,640	-	1,643	-	9,511	-
Other current liabilities	27,598	-	21,419	-	15,776	-
Total current liabilities	5,284,462	15	5,172,523	15	2,603,008	9
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 15)	1,000,000	3	1,000,000	3	-	-
Provisions (Notes 4 and 18)	78,153	-	74,808	-	74,302	-
Accrued pension liabilities (Note 4)	543,507	1	555,089	1	554,840	2
Deferred tax liabilities (Note 4)	2,770,960	8	3,476,068	10	3,141,970	11
Total non-current liabilities	4,392,620	12	5,105,965	14	3,771,112	13
Total liabilities	9,677,082	27	10,278,488	29	6,374,120	22
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Capital stock - NT$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	8	3,000,000	9	3,000,000	11
Capital surplus	6,129,405	17	6,129,405	17	6,129,405	21
Retained earnings						
Legal reserve	2,257,887	6	2,257,887	6	1,764,839	6
Special reserve	1,228,789	3	1,228,789	3	788,877	3
Unappropriated earnings	13,409,557	37	12,213,958	35	11,117,054	38
Total retained earnings	16,896,233	46	15,700,634	44	13,670,770	47
Other equity	603,687	2	210,438	1	(206,671)	(1)
Total equity	26,629,325	73	25,040,477	71	22,593,504	78
TOTAL	$ 36,306,407	100	$ 35,318,965	100	$ 28,967,624	100

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

(With Deloitte & Touche review report dated May 9, 2014)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales (Note 4)	$ 8,172,236	100	$ 7,578,691	100
Service revenue (Note 4)	1,858	-	1,986	-
Other operating revenue	5,504	-	15,353	-
Total operating revenue	8,179,598	100	7,596,030	100
OPERATING COSTS				
Cost of goods sold (Notes 21 and 28)	7,229,802	89	6,443,777	85
GROSS PROFIT	949,796	11	1,152,253	15
OPERATING EXPENSES (Notes 19, 21, 25 and 28)				
Selling and marketing expenses	664,751	8	639,426	8
General and administrative expenses	104,583	1	114,336	2
Research and development expenses	126,205	2	123,588	2
Total operating expenses	895,539	11	877,350	12
PROFIT FROM OPERATIONS	54,257	-	274,903	3
NON-OPERATING INCOME AND EXPENSES				
Shares of the profit of associates	1,360,451	17	1,157,782	15
Interest income (Note 4)	119,460	1	72,937	1
Gain on disposal of investment, net (Note 21)	7,274	-	244	-
Gain on valuation of financial assets, net	1,928	-	146	-
Other revenue (Note 28)	70	-	1,277	-
Foreign exchange (loss) gain, net (Note 21)	(89,155)	(1)	44,925	1
Interest expenses (Note 28)	(10,556)	-	(453)	-
Overseas business expenses (Note 28)	(6,793)	-	(6,913)	-
Other losses (Note 28)	(590)	-	(270)	-
Total non-operating income and expenses	1,382,089	17	1,269,675	17
PROFIT BEFORE TAX	1,436,346	17	1,544,578	20
INCOME TAX EXPENSES (Notes 4 and 22)	240,787	3	263,732	3
NET PROFIT	1,195,559	14	1,280,846	17

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	$ 393,249	5	$ 697,395	9
Actuarial gain (loss) arising from defined benefit plans	47	-	(36)	-
Income tax relating to components of other comprehensive income (Notes 4 and 22)	(7)	-	6	-
Other comprehensive income for the period, net of income tax	393,289	5	697,365	9
TOTAL COMPREHENSIVE INCOME	$ 1,588,848	19	$ 1,978,211	26
EARNINGS PER SHARE (Note 23)				
Basic	$3.99		$4.27	
Diluted	$3.98		$4.27	

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

(With Deloitte & Touche review report dated May 9, 2014) (Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock (Note 20)	Capital Surplus (Note 20)	Retained Earnings (Note 20)			Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	
BALANCE, JANUARY 1, 2013	$ 3,000,000	$ 6,129,405	$ 1,764,839	$ 788,877	$ 9,836,238	$ (904,066)	$ 20,615,293
Net profit for the three months ended March 31, 2013	-	-	-	-	1,280,846	-	1,280,846
Other comprehensive income for the three months ended March 31, 2013, net of income tax	-	-	-	-	(30)	697,395	697,365
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	1,280,816	697,395	1,978,211
BALANCE, MARCH 31, 2013	$ 3,000,000	$ 6,129,405	$ 1,764,839	$ 788,877	$ 11,117,054	$ (206,671)	$ 22,593,504
BALANCE, JANUARY 1, 2014	$ 3,000,000	$ 6,129,405	$ 2,257,887	$ 1,228,789	$ 12,213,958	$ 210,438	$ 25,040,477
Net profit for the three months ended March 31, 2014	-	-	-	-	1,195,559	-	1,195,559
Other comprehensive income for the three months ended March 31, 2014, net of income tax	-	-	-	-	40	393,249	393,289
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	1,195,599	393,249	1,588,848
BALANCE, MARCH 31, 2014	$ 3,000,000	$ 6,129,405	$ 2,257,887	$ 1,228,789	$ 13,409,557	$ 603,687	$ 26,629,325

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

(With Deloitte & Touche review report dated May 9, 2014)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,436,346	$ 1,544,578
Adjustments for:		
Depreciation expenses	119,044	123,526
Amortization expenses	1,773	1,685
Gain on valuation of financial assets, net	(1,928)	(146)
Interest expenses	10,556	453
Interest income	(119,460)	(72,937)
Share of the profit of associates	(1,360,451)	(1,157,782)
Gain on disposal of investment, net	(7,274)	(244)
Gain on foreign exchange, net	(260,613)	(117,309)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	260,863	(241,756)
Notes receivable	(1,429)	(84)
Notes receivable - related parties	(1,762)	(589)
Trade receivables	(13,581)	(21,591)
Trade receivables - related parties	(568,467)	90,356
Other receivables	10,083	237,936
Inventories	(2,967)	(354)
Prepayments	(19,616)	(10,680)
Notes payable - related parties	(1,536)	-
Trade payables	(62,034)	(48,922)
Trade payables - related parties	27,442	(180,238)
Other payables	(164,104)	(115,619)
Other current liabilities	6,179	(10,436)
Deferred revenue	(3)	(3,357)
Provisions	(8,723)	(6,792)
Accrued pension liabilities	(11,535)	(2,361)
Cash generated from (used in) operations	(733,197)	7,337
Interest paid	(10,408)	(478)
Income tax paid	(8,802)	(3)
Net cash generated from (used in) operating activities	(752,407)	6,856
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	67,233	21,465
Decrease (increase) in other financial assets	1,640,678	(313,751)
Payment for property, plant and equipment (Note 24)	(264,243)	(330,523)
Payments for computer software	(450)	-
Decrease (increase) in other non-current assets	(114,159)	17,314
Net cash generated from (used in) investing activities	1,329,059	(605,495)

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2014	**2013**
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ 248,038	$ 287,231
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	824,690	(311,408)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	8,567,899	4,828,455
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 9,392,589	$ 4,517,047

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

(With Deloitte & Touche review report dated May 9, 2014) (Concluded)

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the board of directors on May 9, 2014.

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

The 2013 Version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in Issue But Not Yet Effective

Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Continued)

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

New IFRSs in Issue But Not Yet Endorsed by FSC

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

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

Basis of Preparation

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

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

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

b. Subsidiary included in consolidated financial statements

			% of Ownership		
Investor	**Investee**	**Main Business**	**March 31, 2014**	**December 31, 2013**	**March 31, 2013**
Yulon Nissan Motor Company, Ltd	Yi-Jan Overseas Investment Co., Ltd.	Investment	100.00	100.00	100.00
Yi-Jan Overseas Investment Co., Ltd.	Jetford Inc.	Investment	100.00	100.00	100.00

Foreign Currencies

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

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

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

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

Inventories

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

Investment in Associates

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

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

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

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

Property, Plant and Equipment

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

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

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

Computer Software

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

Impairment of Assets

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

      a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

2) Impairment of financial assets

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

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

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

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

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

3) Derecognition of financial assets

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

b. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

a. Inventory purchase commitment

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

b. Warranties

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

Revenue Recognition

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

a. Sale of goods

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

b. Rendering of services

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

c. Dividend and interest income

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

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

Retirement Benefit Costs

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

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

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

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of March 31, 2014, December 31, 2013 and March 31, 2013, the carrying values of trade receivables were $3,725,772 thousand, $681,405 thousand and $3,663,477 thousand, respectively.

b. Property, plant and equipment - molds and dies

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

c. Provisions for the expected cost of warranty

The Group calculates the provisions for the expected cost of warranty quarterly based on the numbers of units sold and the weighted average of actual warranty expense in the past. As of March 31, 2014, December 31, 2013 and March 31, 2013, the carrying amount of provisions for warranty was $137,812 thousand, $134,125 thousand and $139,936 thousand, respectively.

d. Provisions for loss on inventory purchase commitment

The Group assesses provisions for loss on inventory purchase commitment of purchasing parts and vehicles to Yulon regularly. As of March 31, 2014, December 31, 2013 and March 31, 2013, the carrying amount of provisions for loss on inventory purchase commitment was $97,402 thousand, $109,812 thousand and $83,538 thousand, respectively.

e. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2014	December 31, 2013	March 31, 2013
Cash on hand	$ 20	$ 20	$ 20
Checking accounts and demand deposits	384,541	754,979	291,081
Foreign currency demand deposit	644,640	2,648,035	1,516,968
Cash equivalents			
Foreign currency time deposits	8,356,488	5,157,965	2,702,078
Time deposits	6,900	6,900	6,900
	$ 9,392,589	$ 8,567,899	$ 4,517,047

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

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

	March 31, 2014	December 31, 2013	March 31, 2013
Demand deposits and time deposits	0.01%-3.25%	0.01%-3.25%	0.01%-1.95%

7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2014	December 31, 2013	March 31, 2013
Financial assets at FVTPL - current			
Non-derivative financial assets			
Mutual fund	$ 183,080	$ 434,741	$ 242,146

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2014	December 31, 2013	March 31, 2013
Notes receivable	$ 1,456	$ 27	$ 84
Trade receivables	$ 55,287	$ 41,706	$ 58,145
Other receivables			
Dividend receivables	$ 2,416,984	$ -	$ 2,852,880
Interest receivables	386,262	334,035	254,030
Disposal of investment receivables	-	5,297	-
Others	7,046	11,832	7,153
	$ 2,810,292	$ 351,164	$ 3,114,063

a. Notes receivable

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

b. Trade receivables

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

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

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Less than 180 days	$ 3,408	$ 13,833	$ 32,144

c. Other receivables

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

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Aeolus Automobile Co., Ltd.	$ 1,426,709	$ -	$ 1,654,360
Guangzhou Aeolus Automobile Co., Ltd.	990,275	-	1,198,520
	$ 2,416,984	$ -	$ 2,852,880

9. INVENTORIES

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Vehicles	$ 3,226	$ -	$ -
Parts	1,788	2,047	1,901
	$ 5,014	$ 2,047	$ 1,901

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2014 was $7,229,802 thousand, which included warranty cost of $15,550 thousand and reversal of loss on inventory purchase commitment of $12,410 thousand. The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2013 was $6,443,777 thousand, which included reversal of warranty cost of $5,323 thousand and loss on inventory purchase commitment of $2,157 thousand.

10. OTHER FINANCIAL ASSETS

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

	March 31, 2014	December 31, 2013	March 31, 2013
Time deposit with original maturity more than three months	3.25%-5.00%	2.35%-5.00%	2.35%-5.00%

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2014	December 31, 2013	March 31, 2013
Investment in associates			
Guangzhou Aeolus Automobile Co., Ltd.	$ 9,107,579	$ 8,669,017	$ 7,296,052
Aeolus Xiangyang Automobile Co., Ltd.	2,354,838	2,261,228	1,599,564
Aeolus Automobile Co., Ltd.	2,194,506	3,571,067	2,566,042
Shenzhen Lan You Technology Co., Ltd.	461,975	453,724	367,306
Dong Feng Yulon Used Cars Co., Ltd.	10,266	34,231	39,722
	$ 14,129,164	$ 14,989,267	$ 11,868,686

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

Name of Associate	March 31, 2014	December 31, 2013	March 31, 2013
Guangzhou Aeolus Automobile Co., Ltd.	40.00%	40.00%	40.00%
Aeolus Xiangyang Automobile Co., Ltd.	16.55%	16.55%	16.55%
Aeolus Automobile Co., Ltd.	33.12%	33.12%	33.12%
Shenzhen Lan You Technology Co., Ltd.	45.00%	45.00%	45.00%
Dong Feng Yulon Used Cars Co., Ltd.	49.00%	49.00%	49.00%

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

	March 31, 2014	December 31, 2013	March 31, 2013
Total assets	$ 72,160,564	$ 73,126,807	$ 128,856,092
Total liabilities	$ 27,762,905	$ 26,221,061	$ 92,651,390

	For the Three Months Ended March 31	
	2014	2013
Revenue for the period	$ 9,304,347	$ 10,415,850
Profit for the period	$ 3,662,689	$ 3,285,804

The amounts recognized as share of the profit of associates on equity method for the three months ended March 31, 2014 and 2013 were based on the financial statements for the same periods, which were reviewed by independent auditors.

Guangzhou Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB200,000 thousand (NT$990,275 thousand) to Jetford Inc. in March 2014. Aeolus Automobile Co., Ltd. announced the distribution of cash dividend of RMB288,144 thousand (NT$1,426,709 thousand) to Jetford Inc. in March 2014. As of March 31, 2014, the cash dividends mentioned above were not yet received by the stockholders and accounted as other receivables.

12. PROPERTY, PLANT AND EQUIPMENT

	Molds	Dies	Computer Equipment	Other Equipment	Transportation Equipment	Machinery and Equipment	Leasehold Improvement	Tools	Total
Cost									
Balance at January 1, 2013	$ 4,860,514	$ 964,864	$ 85,064	$ 82,255	$ 4,290	$ 19,052	$ 3,441	$ 5,694	$ 6,025,174
Additions	100,531	6,025	252	1,450	4,305	-	-	-	112,563
Disposals	(776,528)	(152,011)	-	-	-	-	(76)	-	(928,615)
Balance at March 31, 2013	$ 4,184,517	$ 818,878	$ 85,316	$ 83,705	$ 8,595	$ 19,052	$ 3,365	$ 5,694	$ 5,209,122
Accumulated Depreciation									
Balance at January 1, 2013	$ (3,591,304)	$ (593,890)	$ (69,031)	$ (66,618)	$ (4,100)	$ (15,952)	$ (1,979)	$ (4,935)	$ (4,347,809)
Depreciation expense	(96,157)	(23,417)	(1,717)	(1,640)	(101)	(171)	(215)	(108)	(123,526)
Disposals	776,528	152,011	-	-	-	-	76	-	928,615
Balance at March 31, 2013	$ (2,910,933)	$ (465,296)	$ (70,748)	$ (68,258)	$ (4,201)	$ (16,123)	$ (2,118)	$ (5,043)	$ (3,542,720)
Carrying value, net, January 1, 2013	$ 1,269,210	$ 370,974	$ 16,033	$ 15,637	$ 190	$ 3,100	$ 1,462	$ 759	$ 1,677,365
Carrying value, net, March 31, 2013	$ 1,273,584	$ 353,582	$ 14,568	$ 15,447	$ 4,394	$ 2,929	$ 1,247	$ 651	$ 1,666,402
Cost									
Balance at January 1, 2014	$ 3,618,909	$ 723,152	$ 81,893	$ 75,533	$ 8,595	$ 18,529	$ 6,265	$ 5,694	$ 4,538,570
Additions	164,456	39,580	550	-	-	-	-	-	204,586
Disposals	-	-	-	-	-	-	(551)	-	(551)
Balance at March 31, 2014	$ 3,783,365	$ 762,732	$ 82,443	$ 75,533	$ 8,595	$ 18,529	$ 5,714	$ 5,694	$ 4,742,605
Accumulated depreciation and impairment									
Balance at January 1, 2014	$ (2,283,974)	$ (349,445)	$ (66,883)	$ (61,780)	$ (4,780)	$ (16,082)	$ (1,739)	$ (5,283)	$ (2,789,966)
Depreciation expense	(91,916)	(23,409)	(1,690)	(1,325)	(192)	(113)	(342)	(57)	(119,044)
Disposals	-	-	-	-	-	-	551	-	551
Balance at March 31, 2014	$ (2,375,890)	$ (372,854)	$ (68,573)	$ (63,105)	$ (4,972)	$ (16,195)	$ (1,530)	$ (5,340)	$ (2,908,459)
Carrying value, net, January 1, 2014	$ 1,334,935	$ 373,707	$ 15,010	$ 13,753	$ 3,815	$ 2,447	$ 4,526	$ 411	$ 1,748,604
Carrying value, net, March 31, 2014	$ 1,407,475	$ 389,878	$ 13,870	$ 12,428	$ 3,623	$ 2,334	$ 4,184	$ 354	$ 1,834,146

There were no signs of impairment losses of assets for the three months ended March 31, 2014 and 2013; therefore, the Group did not assess for impairment.

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

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

13. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance, January 1 and March 31, 2013	$ 20,210
Accumulated amortization	
Balance, January 1, 2013	$ (8,841)
Amortization expense	(1,685)
Balance, March 31, 2013	$ (10,526)
Carrying amounts at January 1, 2013	$ 11,369
Carrying amounts at March 31, 2013	$ 9,684
Cost	
Balance, January 1, 2014	$ 22,451
Additions	450
Disposals	(598)
Balance, March 31, 2014	$ 22,303
Accumulated amortization	
Balance, January 1, 2014	$ (14,564)
Amortization expense	(1,773)
Disposals	598
Balance, March 31, 2014	$ (15,739)
Carrying amounts at January 1, 2014	$ 7,887
Carrying amounts at March 31, 2014	$ 6,564

14. OTHER NON CURRENT ASSETS

	March 31, 2014	December 31, 2013	March 31, 2013
Refundable deposits	$ 345,033	$ 234,653	$ 52,996
Prepayment for equipment	17,618	14,389	9,514
	$ 362,651	$ 249,042	$ 62,510

15. BORROWINGS

a. Short-term borrowings

	March 31, 2014	December 31, 2013	March 31, 2013
Unsecured bank loans	$ 2,630,000	$ 2,630,000	$ 200,000
Ranges of weighted average effective interest rate	0.96%-1.05%	0.96%-1.05%	1.00%

b. Long-term borrowings

	March 31, 2014	December 31, 2013	March 31, 2013
Unsecured bank loans	$ 1,000,000	$ 1,000,000	$ -
Interest rate	1.35%	1.35%	-

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

16. OTHER PAYABLES

	March 31, 2014	December 31, 2013	March 31, 2013
Salaries and bonus	$ 213,769	$ 357,082	$ 193,174
Advertising and promotion fees	172,207	113,701	129,728
Others	107,748	186,897	110,305
	$ 493,724	$ 657,680	$ 433,207

17. DEFERRED REVENUE

	March 31, 2014	December 31, 2013	March 31, 2013
Arising from government grants	$ 1,640	$ 1,643	$ 9,511

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

18. PROVISIONS

	March 31, 2014	December 31, 2013	March 31, 2013
Current			
Inventory purchase commitment	$ 97,402	$ 109,812	$ 83,538
Warranties	59,659	59,317	65,634
	$ 157,061	$ 169,129	$ 149,172
Non-current			
Warranties	$ 78,153	$ 74,808	$ 74,302

	Inventory Purchase Commitment	Warranties	Total
Balance at January 1, 2013	$ 81,381	$ 148,885	$ 230,266
Additional provisions recognized	2,157	-	2,157
Reversal	-	(5,323)	(5,323)
Paid	-	(3,626)	(3,626)
Balance at March 31, 2013	$ 83,538	$ 139,936	$ 223,474
Balance at January 1, 2014	$ 109,812	$ 134,125	$ 243,937
Additional provisions recognized	-	15,550	15,550
Reversal	(12,410)	-	(12,410)
Paid	-	(11,863)	(11,863)
Balance at March 31, 2014	$ 97,402	$ 137,812	$ 235,214

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

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The total expense recognized in profit or loss for the three months ended March 31, 2014 and 2013 was $3,205 thousand and $3,158 thousand, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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

	For the Three Months Ended March 31	
	2014	2013
Selling and marketing expenses	$ 1,000	$ 1,000
General and administrative expenses	$ 1,023	$ 1,005
Research and development expenses	$ 1,182	$ 1,153

There were no regular employees for Yi-Jan Overseas Investment Co., Ltd. and Jet Ford, Inc. as of March 31, 2014; therefore, the subsidiaries had no pension plan for employees.

b. Defined benefit plan

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

The Group recognized the pension expense using the pension cost rates determined by the actuary on December 31, 2013 and 2012, respectively. Related pension costs for the three months ended March 31, 2014 and 2013 were included in the following items:

	For the Three Months Ended March 31	
	2014	**2013**
Selling and marketing expenses	$ 1,205	$ 1,189
General and administrative expenses	2,058	2,038
Research and development expenses	1,248	1,241
	$ 4,511	$ 4,468

20. EQUITY

a. Capital surplus

	March 31, 2014	December 31, 2013	March 31, 2013
Excess from spin-off	$ 5,986,507	$ 5,986,507	$ 5,986,507
Generated from long-term investment	142,898	142,898	142,898
	$ 6,129,405	$ 6,129,405	$ 6,129,405

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

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

b. Retained earnings and dividend policy

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

1) 0.1% to 5% as bonus to employees.

2) The remainder and the undistributed retained earnings as dividends. The distribution is proposed by the board of directors and approved by the stockholders.

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

The distribution of the 2013 earnings of the Company approved by the board of directors on May 12, 2014 and the distribution of the 2012 earnings of the Company approved by the stockholders on June 14, 2013 were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2013	**2012**	**2013**	**2012**
Legal reserve	$ 730,000	$ 493,048		
Special reserve	(439,912)	439,912		
Cash dividend	5,841,000	3,990,000	$ 19.47	$ 13.30

The distribution of the 2013 earnings for cash bonus to employees was approved by the board of directors on May 12, 2014 in the amount of $31,500 thousand.

The distribution of the 2012 earnings for cash bonus to employees was approved by the stockholders on June 14, 2013 in the amount of $30,251 thousand. The approved amount of the cash bonus to employees was not different from the accrual amount reflected in the financial statements for the year ended December 31, 2012.

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

The estimated amount of accrued employee bonus for the three months ended March 31, 2014 was $7,875 thousand. The bonuses to the Company's employees for the three months ended March 31, 2014 were calculated at 0.73% of net income net of the 10% deduction for legal reserve.

The estimated amount of accrued employee bonus for the three months ended March 31, 2013 was $7,875 thousand. The bonuses to the Company's employees for the three months ended March 31, 2013 were calculated at 0.68% of net income net of the 10% deduction for legal reserve.

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

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

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

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

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

21. NET PROFIT

a. Depreciation and amortization

	For the Three Months Ended March 31	
	2014	**2013**
An analysis of depreciation by function		
Operating cost	$ 115,325	$ 119,574
Operating expenses	3,719	3,952
	$ 119,044	$ 123,526
An analysis of depreciation by function		
Operating expenses	$ 1,773	$ 1,685

b. Technical cooperation agreement

	For the Three Months Ended March 31	
	2014	**2013**
Operating cost	$ 140,199	$ 124,369

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

c. Employee benefit expenses

	For the Three Months Ended March 31	
	2014	**2013**
Post-employment benefit (Note 19)		
Defined contribution plans	$ 3,205	$ 3,158
Defined benefit plans	4,511	4,468
	7,716	7,626
Termination benefit	975	975
Labor and health insurance	12,063	11,133
Other employee benefit	151,077	159,980
	164,115	172,088
Total employee benefit expenses	$ 171,831	$ 179,714

(Continued)

	For the Three Months Ended March 31	
	2014	2013
An analysis of employee benefits expense by function		
Operating cost	$ 199	$ 256
Operating expenses	$ 171,385	$ 179,204
Non-operating expenses	$ 247	$ 254

(Concluded)

d. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2014	2013
Foreign exchange gain	$ 80,465	$ 46,979
Foreign exchange loss	(169,620)	(2,054)
Net gain (loss)	$ (89,155)	$ 44,925

e. Gain or loss on sale of investment

	For the Three Months Ended March 31	
	2014	2013
Gain on sale of investment	$ 7,274	$ 447
Loss on sale of investment	-	(203)
Net gain	$ 7,274	$ 244

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2014	2013
Current tax		
In respect of the current year	$ 936,298	$ 36,261
Deferred tax		
In respect of the current year	(695,511)	227,471
Income tax expense recognized in profit or loss	$ 240,787	$ 263,732

On April 9, 2014, the Taxation Administration of the Ministry of Finance announced the legal interpretation No. 10304540780, “Amendments of The Guidelines for Examination of Profit-seeking Enterprise Income Tax.” The amendments are applied to the annual income tax returns for the year-ended December 31, 2013. The application of the amendments will not have any material impact on the Group’s current tax and deferred tax

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2014	2013
Deferred tax		
Recognized in other comprehensive income		
Actuarial gains and losses on defined benefit plan	$ 7	$ (6)

c. Integrated income tax

	March 31, 2014	December 31, 2013	March 31, 2013
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 13,409,557	$ 12,213,958	$ 11,117,054
Imputation credit account ("ICA")	$ 820,623	$ 813,731	$ 344,571

The creditable ratio for distribution of earnings of 2013 and 2012 were 6.72% (expected ratio) and 5.00%, respectively.

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

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

d. Income tax assessment

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

23. EARNINGS PER SHARE

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2014	2013
Earnings used in the computation of basic and diluted earnings per share	$ 1,195,559	$ 1,280,846

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

	For the Three Months Ended March 31	
	2014	2013
Weighted average number of common stock in computation of basic earnings per share	300,000	300,000
Effect of potential dilutive common stock:		
Bonus issue to employees	106	155
Weighted average number of common stock used in the computation of diluted earnings per share	300,106	300,155

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

24. NON-CASH TRANSACTIONS

For the three months ended March 31, 2014 and 2013, the Group entered into the following non-cash investing activities:

	For the Three Months Ended March 31	
	2014	2013
Investing activities affecting both cash and non-cash transactions		
Increase in property, plant and equipment	$ 204,036	$ 106,556
Decrease in trade payables	60,207	223,967
Cash paid for acquisition of property, plant and equipment	$ 264,243	$ 330,523

25. OPERATING LEASE AGREEMENTS

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

	March 31, 2014	December 31, 2013	March 31, 2013
Not later than 1 year	$ 2,508	$ 2,508	$ 2,508
Later than 1 year and not later than 5 years	5,852	6,479	8,360
	$ 8,360	$ 8,987	$ 10,868

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

2) Fair value measurements recognized in the consolidated balance sheet

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

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly; and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 183,080	$ -	$ -	$ 183,080

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 434,741	$ -	$ -	$ 434,741

March 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 242,146	$ -	$ -	$ 242,146

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

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

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

b. Categories of financial instruments

	March 31, 2014	December 31, 2013	March 31, 2013
Financial assets			
Fair value through profit or loss			
Held for trading	$ 183,080	$ 434,741	$ 242,146
Loans and receivables (Note 1)	19,259,453	16,821,679	14,192,240
Financial liabilities			
Amortized cost (Note 2)	4,993,304	5,106,211	2,011,570

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	RMB Impact		**U.S. Dollar Impact**		**Japan Yen Impact**	
	For the Three Months Ended March 31		**For the Three Months Ended March 31**		**For the Three Months Ended March 31**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Gain (loss)	$ (517,053)	$ (643,856)	$ (150,345)	$ (5,106)	$ (709)	$ (2,224)

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

b) Interest rate risk

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

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Fair value interest rate risk			
Financial assets	$ 14,508,206	$ 12,742,990	$ 8,725,988
Financial liabilities	3,630,000	3,630,000	200,000
Cash flows interest rate risk			
Financial assets	1,025,454	3,397,264	1,802,755

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2014 would decrease/increase by $641 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2014 would decrease/increase by $1,127 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

2) Credit risk

The Group's concentration of credit risk of 81%, 50% and 65% in total trade receivables as of March 31, 2014, December 31, 2013 and March 31, 2013, respectively, was related to the Group's largest customer within the vehicle department and the five largest customers within the parts department.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2014, December 31, 2013 and March 31, 2013, the available unutilized short-term borrowing facilities were $370,000 thousand, $370,000 thousand and $800,000 thousand, respectively.

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

March 31, 2014

	Weighted-average Effective Interest Rate (%)	**Within One Month**	**1 to 3 Months**	**4 to 12 Months**	**13 to 24 Months**
Non-derivative financial liabilities					
Non-interest bearing	-	$ 1,219,221	$ 12,608	$ 129,861	$ -
Fixed interest rate instrument	1.08	631,614	2,006,037	10,125	1,005,215
		$ 1,850,835	$ 2,018,645	$ 139,986	$ 1,005,215

December 31, 2013

	Weighted-average Effective Interest Rate (%)	Within One Month	1 to 3 Months	4 to 12 Months	13 to 24 Months
Non-derivative financial liabilities					
Non-interest bearing	-	$ 970,731	$ 292,470	$ 211,544	$ -
Fixed interest rate instrument	1.08	631,466	2,006,287	10,125	1,008,544
		$ 1,602,197	$ 2,298,757	$ 221,669	$ 1,008,544

March 31, 2013

	Weighted-average Effective Interest Rate (%)	Within One Month	1 to 3 Months	4 to 12 Months	13 to 24 Months
Non-derivative financial liabilities					
Non-interest bearing	-	$ 1,447,789	$ 111,578	$ 252,203	$ -
Fixed interest rate instrument	1.00	200,159	-	-	-
		$ 1,647,948	$ 111,578	$ 252,203	$ -

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

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

(Continued)

Related Party	Relationship with the Group
Nissan Motors Co., Ltd Honmoku Plant	Same as above
Nissan Philippines Inc.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yu Ching Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Luxgen Motor Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Nissan Motor Philippines, Inc. (NMPI)	Same as above
Uni Calsonic Corporation	Substantial related party of Yulon
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Yulon Management Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Taiway, Ltd.	Same as above
Kian Shen Corporation	Same as above
Hui-Lian Motor Co.	Same as above
Yu Chia Motor Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Visionary International Consulting Co., Ltd.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
Singgual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.

(Continued)

Related Party	Relationship with the Group
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Y.M.Hi-Tech Industry Ltd.	Subsidiary of China Ogihara Corporation

(Concluded)

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

1) Trading transactions

	For the Three Months Ended March 31	
	2014	2013
Sales		
Investors that have significant influence over the Group	$ 2,504	$ 2,609
Others	8,029,456	7,428,387
	$ 8,031,960	$ 7,430,996
Service revenue		
Investors that have significant influence over the Group	$ 1,858	$ 1,986
Other operating revenue		
Investors that have significant influence over the Group	$ 4,580	$ 6,154
Others	749	5,341
	$ 5,329	$ 11,495

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

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

	For the Three Months Ended March 31	
	2014	2013
Operating cost - purchase		
Investors that have significant influence over the Group	$ 6,904,943	$ 6,148,976
Others	10,953	6,275
	$ 6,915,896	$ 6,155,251

	For the Three Months Ended March 31	
	2014	**2013**
Operating cost - TCA		
Investors that have significant influence over the Group	$ 140,199	$ 124,369
Operating cost - rental		
Investors that have significant influence over the Group	$ 3,044	$ 3,115
Others	3,041	3,450
	$ 6,085	$ 6,565

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

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

	For the Three Months Ended March 31	
	2014	**2013**
Selling and marketing expenses		
Investors that have significant influence over the Group	$ 5,230	$ 2,301
Others	416,266	455,667
	$ 421,496	$ 457,968
General and administrative expenses		
Investors that have significant influence over the Group	$ 1,339	$ 2,303
Others	46,491	50,754
	$ 47,830	$ 53,057
Research and development expenses		
Investors that have significant influence over the Group	$ 6,895	$ 11,167
Others	9,555	10,682
	$ 16,450	$ 21,849

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

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

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

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

	For the Three Months Ended March 31	
	2014	**2013**
Others	$ 43,072	$ -

2) Non-operating transactions

	For the Three Months Ended March 31	
	2014	**2013**
Other revenue		
Investors that have significant influence over the Group	$ 69	$ 175
Overseas business expense		
Others	$ 8,281	$ 6,746
Other losses		
Investors that have significant influence over the Group	$ 1	$ 5

3) Receivables from related parties

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Notes receivable			
Others	$ 4,074	$ 2,312	$ 2,203
Trade receivables			
Investors that have significant influence over the Group	$ 45,471	$ 40,837	$ 14,812
Others	809,192	245,359	474,170
	$ 854,663	$ 286,196	$ 488,982

4) Payables to related parties

	March 31, 2014	**December 31, 2013**	**March 31, 2013**
Notes payable			
Investors that have significant influence over the Group	$ -	$ 1,536	$ -

Trade payables	March 31, 2014	December 31, 2013	March 31, 2013
Investors that have significant influence over the Group	$ 832,907	$ 659,922	$ 1,180,782
Others	207,420	413,170	314,821
	$ 1,040,327	$ 1,073,092	$ 1,495,603

5) Refundable deposits

	March 31, 2014	December 31, 2013	March 31, 2013
Investors that have significant influence over the Group	$ 290,632	$ 174,432	$ 100
Others	52,848	59,284	52,185
	$ 343,480	$ 233,716	$ 52,285

c. Compensation of key management personnel:

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

	For the Three Months Ended March 31	
	2014	2013
Short-term employee benefit	$ 10,704	$ 9,244
Post-employment benefit	460	391
	$ 11,164	$ 9,635

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

d. Other transactions with related-parties

1) The Company sold to Taiwan Acceptance Corporation trade receivable which amounted to $481,299 thousand and $435,268 thousand for the three months ended March 31, 2014 and 2013, respectively. Based on the related contract, the amount of receivable sold is limited to the amount of pledges from the original debtor to Taiwan Acceptance Corporation. The Company's interest expenses recognized on the trade receivable sold to Taiwan Acceptance Corporation were $277 thousand and $252 thousand for the three months ended March 31, 2014 and 2013, respectively.

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

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

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2014 were as follows:

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

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

b. The Company has a contract with Taiwan Acceptance Corporation for sale and purchase of vehicles. Besides, Taiwan Acceptance Corporation separately signed with dealers contracts for display of vehicles. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the date of signing the sale and purchase contract to March 31, 2014, no buy-back of vehicles has occurred.

c. Unrecognized commitments

	March 31, 2014	December 31, 2013	March 31, 2013
Acquisition of property, plant and equipment	$ 196,301	$ 289,990	$ 468,284
Acquisition of other intangible assets	296	1,331	1,056
	$ 196,597	$ 291,321	$ 469,340

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

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

March 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 1,643,314	4.8840 (RMB:NTD)	$ 8,025,946
RMB	1,421,910	0.1625 (RMB:USD)	7,040,410
USD	98,751	30.470 (USD:NTD)	3,008,943
JPY	25,386	0.2960 (JPY:NTD)	7,514

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
JPY	$ 519	0.2960 (JPY:NTD)	$ 154

(Concluded)

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 2,424,662	0.1640 (RMB:USD)	$ 11,851,796
RMB	675,808	4.9040 (RMB:NTD)	3,314,163
USD	18,508	29.805 (USD:NTD)	551,636
JPY	53,715	0.2839 (JPY:NTD)	15,250
Financial liabilities			
Monetary items			
JPY	919	0.2839 (JPY:NTD)	261

March 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 2,706,636	0.1595 (RMB:USD)	$ 12,877,127
USD	3,424	29.825 (USD:NTD)	102,121
JPY	142,698	0.3172 (JPY:NTD)	45,264
Financial liabilities			
Monetary items			
JPY	2,487	0.3172 (JPY:NTD)	789

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 1 (attached)

4) Marketable securities acquired and disposed at cost or prices at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at cost of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

9) Trading in derivative instruments: None

10) Information on investees: Table 4 (attached)

11) Intercompany relationships and significant intercompany transactions: Table 5 (attached)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriated investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

32. SEGMENTS INFORMATION

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

Vehicle segment: Vehicle sales
Part segment: Parts sales
Investment segment: Overseas business activities
Other segment: Other operating activities other than the above segments

a. Segment revenues and results

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

	Revenue		Profit Before Tax	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2014	2013	2014	2013
Vehicle segment	$ 7,212,631	$ 6,677,512	$ 40,155	$ 178,434
Part segment	959,605	901,180	156,770	163,426
Investment segment	-	-	1,353,658	1,150,869
Other segment	7,362	17,338	(139,288)	(62,050)
	$ 8,179,598	$ 7,596,030	1,411,295	1,430,679
Interest income			119,460	72,937
Gain on disposal of investment			7,274	244
Gain from valuation of financial assets			1,928	146
Foreign exchange gain (loss), net			(89,155)	44,925
Interest expense			(10,556)	(453)
Central administration cost and directors’ compensation			(3,900)	(3,900)
Profit before tax			$ 1,436,346	$ 1,544,578

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the three months ended March 31, 2014 and 2013.

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

b. Segment total assets

	March 31, 2014	December 31, 2013	March 31, 2013
Vehicle segment	$ 1,798,963	$ 1,710,369	$ 1,629,251
Part segment	2,283	2,532	3,194

(Continued)

	March 31, 2014	December 31, 2013	March 31, 2013
Investment segment	$ 14,129,164	$ 14,989,267	$ 11,868,686
Other segment	32,900	35,703	24,443
	15,963,310	16,737,871	13,525,574
Unallocated assets	20,343,097	18,581,094	15,442,050
Consolidated total assets	$ 36,306,407	$ 35,318,965	$ 28,967,624

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	March 31, 2014				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
Yulon Nissan Motor Company, Ltd.	Beneficiary certificates							
	Franklin Templeton Sinoam Money Market	-	Financial assets at fair value through profit or loss	7,964	$ 80,000	-	$ 80,386	
	PineBridge Global Multi-Strat Hi Yld A	-	Financial assets at fair value through profit or loss	5,604	69,412	-	71,710	
	FSITC Global High Yield Bond A	-	Financial assets at fair value through profit or loss	2,137	30,000	-	30,984	

Note 1: Shown at their original investment amounts.

Note 2: The fair value of the financial asset at fair value through profit or loss is calculated based on the asset’s net value and the redemption price as of March 31, 2014.

YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable (Note 2)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 3)	
Yulon Nissan Motor Company, Ltd.	Yulon	Equity-method investor of the Company	Purchase	$ 6,899,281	99	180 days after sales for parts 3 days after sales for vehicles	$ -	-	$ (670,291)	(61)	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	7,193,433	88	4 days after sales for parts 3 days after sales for vehicles	-	-	693,779	76	-

Note 1: Transaction terms are based on agreements.

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

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

TABLE 3

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	Trade receivables $ 693,779 Other receivables 29,383	66.55	$ -	-	$ 693,779 -	$ -

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2014			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				March 31, 2014	December 31, 2013	Shares (Thousands)	%	Carrying Amount			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	$ 1,847,983 (US$ 57,371)	$ 1,847,983 (US$ 57,371)	84,987	100.00	$ 24,430,497	$ 1,345,896	$ 1,345,896	Notes 2 and 3
Yi-Jan Overseas Investment Co., Ltd.	Jetford, Inc.	British Virgin Islands	Investment	US$ 57,171	US$ 57,171	71,772	100.00	US$ 801,571	US$ 44,463	US$ 44,463	Notes 2 and 3
Jet Ford, Inc.	Aeolus Xiangyang Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US$ 21,700	US$ 21,700	-	16.55	US$ 77,284	US$ 13,562	US$ 2,132	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US$ 18,710	US$ 18,710	-	33.12	US$ 72,022	US$ 362	US$ 120	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$ 298,903	US$ 108,544	US$ 43,418	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US$ 1,125	US$ 1,125	-	45.00	US$ 15,162	US$ 178	US$ 80	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$ 337	US$ (1,645)	US$ (806)	Note 2

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

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

Note 3: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Company Name	Related Party	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Total Sales or Assets (Note 5)
0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and trade receivables - related parties	$ 6,608	-	-

Note 1: Intercompany relationships are numbered as follows:

1. The Company is numbered as 0.
2. Subsidiaries are numbered from number 1.

Note 2: Nature of relationships is numbered as follows:

1. The Company to subsidiaries is numbered as 1.
2. Subsidiaries to the Company is numbered as 2.
3. Subsidiaries to subsidiaries is numbered as 3.

Note 3: Eliminated.

Note 4: The prices and payment terms for related-party transactions were based on agreements.

Note 5: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(In Thousands of New Taiwan Dollars, U.S. Dollars and RMB, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (e.g., Direct or Indirect)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2014	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2014	Accumulated Repatriation of Investment Income as of March 31, 2014
					Outflow	Inflow						
Aeolus Xiangyang Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	$ 3,581,037 (RMB 826,000)	Note 1	$ 716,856 (US$ 21,700)	$ -	$ -	$ 716,856 (US$ 21,700)	16.55	$ 410,515 (US$ 13,562)	$ 64,549 (US$ 2,132)	$ 2,354,838 (US$ 77,284)	$ -
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	761,964 (RMB 194,400)	Note 1	533,109 (US$ 16,812)	-	-	533,109 (US$ 16,812)	33.12	10,961 (US$ 362)	3,630 (US$ 120)	2,194,506 (US$ 72,022)	1,274,677 (US$ 38,320)
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	3,285,627 (US$ 108,544)	1,314,251 (US$ 43,418)	9,107,579 (US$ 298,903)	8,662,919 (US$ 273,395)
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	5,376 (US$ 178)	2,419 (US$ 80)	461,975 (US$ 15,162)	-
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	(49,790) (US$ -1,645)	(24,398) (US$ -806)	10,266 (US$ 337)	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$1,841,642 (US$57,171)	$1,917,100 (US$59,660)	$15,977,595

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

(Continued)

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

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

(Concluded)