

Yulon Nissan Motor Company, Ltd.

**Financial Statements for the
Six Months Ended June 30, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of June 30, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 9 to the financial statements, the carrying values of certain long-term investments accounted for by the equity method as of June 30, 2010 and 2009, which amounted to \$4,389,071 thousand and \$3,580,562 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$460,376 thousand and \$221,085 thousand, respectively, were based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the investees mentioned in the third paragraph been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2009, the Company adopted the newly revised SFAS No. 10, “Accounting for Inventories”.

July 28, 2010

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS

JUNE 30, 2010 AND 2009

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

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 588,743	3	\$ 339,487	2	Short-term loans (Note 12)	\$ -	-	\$ 300,000	2
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,393,868	12	270,359	2	Notes and accounts payable	60,612	-	10,131	-
Notes and accounts receivable (Notes 2 and 6)	25,905	-	37,498	-	Notes and accounts payable - related parties (Note 20)	1,305,513	7	834,623	5
Notes and accounts receivable - related parties (Note 20)	547,285	3	727,012	4	Income tax payable (Notes 2 and 16)	50,985	-	82,888	-
Other financial assets (Note 7)	42,408	-	47,522	-	Accrued expenses (Notes 13)	458,004	2	246,706	1
Inventories (Notes 2, 3 and 8)	1,191	-	792	-	Other current liabilities	<u>110,193</u>	<u>1</u>	<u>71,304</u>	<u>-</u>
Prepayments	5,127	-	18,826	-	Total current liabilities	<u>1,985,307</u>	<u>10</u>	<u>1,545,652</u>	<u>8</u>
Deferred income tax assets, net (Notes 2 and 16)	125,665	-	5,774	-	OTHER LIABILITIES				
Other current assets	-	-	81,184	-	Accrued pension liabilities (Notes 2 and 17)	437,455	2	414,443	2
Total current assets	<u>3,730,192</u>	<u>18</u>	<u>1,528,454</u>	<u>8</u>	Deferred income tax liabilities, net (Notes 2 and 16)	1,010,044	5	549,812	3
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>15,232,299</u>	<u>74</u>	<u>13,389,358</u>	<u>74</u>	Warranty (Note 2)	<u>70,278</u>	<u>-</u>	<u>64,376</u>	<u>1</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)					Total other liabilities	<u>1,517,777</u>	<u>7</u>	<u>1,028,631</u>	<u>6</u>
Cost					Total liabilities	<u>3,503,084</u>	<u>17</u>	<u>2,574,283</u>	<u>14</u>
Machinery and equipment	21,863	-	28,107	-	STOCKHOLDERS' EQUITY				
Transportation equipment	4,290	-	8,582	-	Capital stock - \$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>15</u>	<u>3,000,000</u>	<u>17</u>
Tools	5,694	-	5,566	-	Capital surplus				
Computer equipment	82,835	1	89,160	-	Excess from spin-off	5,986,507	29	5,986,507	33
Other equipment	74,854	-	90,654	1	Gains on long-term investments	<u>2,461</u>	<u>-</u>	<u>2,461</u>	<u>-</u>
Leasehold improvement	<u>3,930</u>	<u>-</u>	<u>3,441</u>	<u>-</u>	Total capital surplus	<u>5,988,968</u>	<u>29</u>	<u>5,988,968</u>	<u>33</u>
Total cost	193,466	1	225,510	1	Retained earnings				
Less accumulated depreciation	<u>151,482</u>	<u>1</u>	<u>164,478</u>	<u>1</u>	Legal reserve	1,093,293	5	1,028,005	6
	41,984	-	61,032	-	Special reserve	379,840	2	379,840	2
Prepayments for equipment	<u>2,000</u>	<u>-</u>	<u>2,411</u>	<u>-</u>	Unappropriated earnings	<u>5,278,335</u>	<u>26</u>	<u>3,555,557</u>	<u>19</u>
Property, plant and equipment, net	<u>43,984</u>	<u>-</u>	<u>63,443</u>	<u>-</u>	Total retained earnings	<u>6,751,468</u>	<u>33</u>	<u>4,963,402</u>	<u>27</u>
OTHER ASSETS					Cumulative translation adjustments	<u>1,321,622</u>	<u>6</u>	<u>1,642,926</u>	<u>9</u>
Idle assets (Notes 2, 10 and 11)	-	-	22,108	-	Total stockholders' equity	<u>17,062,058</u>	<u>83</u>	<u>15,595,296</u>	<u>86</u>
Refundable deposits (Note 20)	3,813	-	93,767	1					
Deferred charges (Notes 2, 11 and 20)	<u>1,554,854</u>	<u>8</u>	<u>3,072,449</u>	<u>17</u>					
Total other assets	<u>1,558,667</u>	<u>8</u>	<u>3,188,324</u>	<u>18</u>					
TOTAL	<u>\$ 20,565,142</u>	<u>100</u>	<u>\$ 18,169,579</u>	<u>100</u>	TOTAL	<u>\$ 20,565,142</u>	<u>100</u>	<u>\$ 18,169,579</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated July 28, 2010)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
SALES (Note 20)	\$ 13,908,598	100	\$ 9,669,518	100
LESS: SALES RETURNS	2,482	-	3,715	-
SALES ALLOWANCES	<u>1,271</u>	<u>-</u>	<u>21,457</u>	<u>-</u>
NET SALES	13,904,845	100	9,644,346	100
COST OF SALES (Note 20)	<u>12,014,656</u>	<u>87</u>	<u>9,059,662</u>	<u>94</u>
GROSS PROFIT	<u>1,890,189</u>	<u>13</u>	<u>584,684</u>	<u>6</u>
OPERATING EXPENSES (Note 20)				
Marketing and selling	1,097,411	8	856,481	9
General and administrative	194,328	1	129,618	1
Research and development	<u>252,027</u>	<u>2</u>	<u>237,027</u>	<u>2</u>
Total operating expenses	<u>1,543,766</u>	<u>11</u>	<u>1,223,126</u>	<u>12</u>
OPERATING GAIN (LOSS)	<u>346,423</u>	<u>2</u>	<u>(638,442)</u>	<u>(6)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	1,580,103	12	1,053,566	11
Foreign exchange gain	6,629	-	-	-
Gain from valuation of financial assets	3,910	-	385	-
Interest income	392	-	1,778	-
Gain on sale of investments	-	-	349	-
Others (Note 20)	<u>9,414</u>	<u>-</u>	<u>10,756</u>	<u>-</u>
Total nonoperating income and gains	<u>1,600,448</u>	<u>12</u>	<u>1,066,834</u>	<u>11</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 20)	34,554	-	12,645	-
Loss on sale of investments, net	12,203	-	-	-
Interest expense (Note 20)	668	-	1,682	-
Impairment loss (Notes 10 and 11)	-	-	30,645	1
Loss on disposal of property, plant and equipment (Note 20)	-	-	3,212	-
Foreign exchange loss, net	-	-	2,318	-
Others (Note 20)	<u>10,530</u>	<u>-</u>	<u>14,427</u>	<u>-</u>
Total nonoperating expenses and losses	<u>57,955</u>	<u>-</u>	<u>64,929</u>	<u>1</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,888,916	14	\$ 363,463	4
INCOME TAX BENEFITS (EXPENSES) (Notes 2 and 16)	<u>(212,347)</u>	<u>(2)</u>	<u>177,918</u>	<u>2</u>
NET INCOME	<u>\$ 1,676,569</u>	<u>12</u>	<u>\$ 541,381</u>	<u>6</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.30</u>	<u>\$ 5.59</u>	<u>\$ 1.21</u>	<u>\$ 1.80</u>
Diluted	<u>\$ 6.28</u>	<u>\$ 5.58</u>	<u>\$ 1.21</u>	<u>\$ 1.80</u>

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

(With Deloitte & Touche audit report dated July 28, 2010)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollar)**

	Capital Stock		Capital Surplus (Notes 2 and 14)			Retained Earnings (Notes 2 and 14)				Cumulative Translation Adjustments (Note 2)	Total Stockholders' Equity
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		
BALANCE, JANUARY 1, 2010	300,000	\$ 3,000,000	\$ 5,986,507	\$ 2,461	\$ 5,988,968	\$ 1,028,005	\$ 379,840	\$ 3,667,054	\$ 5,074,899	\$ 1,206,273	\$ 15,270,140
Appropriation of 2009 earnings											
Legal reserve	-	-	-	-	-	65,288	-	(65,288)	-	-	-
Net income from January 1, 2010 to June 30, 2010	-	-	-	-	-	-	-	1,676,569	1,676,569	-	1,676,569
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	115,349	115,349
BALANCE, JUNE 30, 2010	<u>300,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 2,461</u>	<u>\$ 5,988,968</u>	<u>\$ 1,093,293</u>	<u>\$ 379,840</u>	<u>\$ 5,278,335</u>	<u>\$ 6,751,468</u>	<u>\$ 1,321,622</u>	<u>\$ 17,062,058</u>
BALANCE, JANUARY 1, 2009	300,000	\$ 3,000,000	\$ 5,986,507	\$ 2,461	\$ 5,988,968	\$ 977,573	\$ 379,840	\$ 3,064,608	\$ 4,422,021	\$ 1,674,860	\$ 15,085,849
Appropriation of 2008 earnings											
Legal reserve	-	-	-	-	-	50,432	-	(50,432)	-	-	-
Net income from January 1, 2009 to June 30, 2009	-	-	-	-	-	-	-	541,381	541,381	-	541,381
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(31,934)	(31,934)
BALANCE, JUNE 30, 2009	<u>300,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 2,461</u>	<u>\$ 5,988,968</u>	<u>\$ 1,028,005</u>	<u>\$ 379,840</u>	<u>\$ 3,555,557</u>	<u>\$ 4,963,402</u>	<u>\$ 1,642,926</u>	<u>\$ 15,595,296</u>

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

(With Deloitte & Touche audit report dated July 28, 2010)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,676,569	\$ 541,381
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	286,079	367,236
Impairment loss	-	30,645
Loss (gain) on sale of investments, net	12,203	(349)
Equity in net income of investees	(1,580,103)	(1,053,566)
Gain from valuation of financial assets	(3,910)	(385)
Loss on disposal of property, plant and equipment	-	3,212
Deferred income taxes	224,978	(206,970)
Provision for pension costs	13,003	14,116
Provision for loss on inventory purchase commitment	43,560	3,154
Provision for warranty liabilities	179	(5,576)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,272,571)	(269,625)
Notes and accounts receivable	3,413	(8,744)
Notes and accounts receivable - related parties	(149,549)	(140,266)
Other financial assets	11,458	14,376
Inventories	(297)	(792)
Prepayments	(2,209)	6,688
Other current assets	36,632	(9,420)
Notes and accounts payable	57,635	(34,255)
Notes and accounts payable - related parties	471,425	179,105
Income tax payable	(22,429)	(4,374)
Accrued expenses	145,726	(76,226)
Other current liabilities	<u>3,071</u>	<u>(8,333)</u>
Net cash used in operating activities	<u>(45,137)</u>	<u>(658,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,225)	(12,298)
Decrease (increase) in refundable deposits	3,547	(87,902)
Increase in deferred charges	(57,200)	(256,640)
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>1,433</u>
Net cash used in investing activities	<u>(56,878)</u>	<u>(355,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	<u>-</u>	<u>300,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,015)	(714,375)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>690,758</u>	<u>1,053,862</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 588,743</u>	<u>\$ 339,487</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

**STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	2010	2009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 668</u>	<u>\$ 1,672</u>
Income tax	<u>\$ 9,816</u>	<u>\$ 33,676</u>

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

(With Deloitte & Touche audit report dated July 28, 2010)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2010 and 2009, the Company had 398 and 426 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (“ROC”). In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, deferred charges amortization, warranty, pension, and bonuses to employees. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalent

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

Financial Instruments at Fair Value Through Profit or Loss

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables.

Inventories

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

Long-term Equity Investments

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

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

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

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

Property, Plant and Equipment

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

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

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

Deferred Charges

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

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

Idle Assets

Idle assets are assets retired from active use and carried at the lower of net selling price or carrying amount. Idle assets include the following: machinery and equipment, transportation equipment, other equipment, leasehold improvement, and computer software. The depreciation and amortization are recognized as nonoperating expenses and losses.

Pensions

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

Warranty

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

Income Tax

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

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

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

Foreign-currency Transactions

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

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

3. REASON AND EFFECT OF THE CHANGES OF ACCOUNTING PRINCIPLE

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) inventory-related expenses and losses are recorded as cost of sales for the period.

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	489,738	272,407
Time deposits, annual yield rate - 2010: 0.58%; 2009: 0.64%	1,500	1,500
Foreign-currency demand deposits	<u>84,572</u>	<u>42,527</u>
	575,830	316,454
Cash equivalents		
Foreign commercial papers, annual yield rate - 2010: 1.60%; 2009: 1.00%-2.00%	<u>12,913</u>	<u>23,033</u>
	<u>\$ 588,743</u>	<u>\$ 339,487</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Financial assets held for trading		
Mutual funds	<u>\$ 2,393,868</u>	<u>\$ 270,359</u>

There were a net loss of \$8,293 thousand and a net gain of \$734 thousand on financial assets held for trading for the six months ended June 30, 2010 and 2009, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 761	\$ 4,509
Accounts receivable	<u>25,144</u>	<u>32,989</u>
	<u>\$ 25,905</u>	<u>\$ 37,498</u>

7. OTHER FINANCIAL ASSETS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Tax refund receivable	\$ 33,339	\$ 36,781
Receivable on sale of securities	4,880	-
Lease receivable	1,502	7,165
Interest receivable	10	2
Others	<u>2,677</u>	<u>3,574</u>
	<u>\$ 42,408</u>	<u>\$ 47,522</u>

8. INVENTORIES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Parts	<u>\$ 1,191</u>	<u>\$ 792</u>

The cost of inventories recognized as cost of sales during the six months ended June 30, 2010 was \$12,014,656 thousand, which included warranty cost of \$36,044 thousand and loss on inventory purchase commitment of \$43,560 thousand. The cost of inventories recognized as cost of sales during the six months ended June 30, 2009 was \$9,059,662 thousand, which included warranty cost of \$31,616 thousand and loss on inventory purchase commitment of \$3,154 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>15,232,299</u>	100	\$ <u>13,389,358</u>	100

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

Investee	Percentage of Ownership	Accumulated Investment Amount (In Thousands) as of June 30, 2010
Aeolus Xiangfan Automobile Co., Ltd.	16.55	US\$ 21,700
Guangzhou Aeolus Automobile Co., Ltd.	40.00	US\$ 16,941
Aeolus Automobile Co., Ltd.	25.00	US\$ 10,890
Dong Feng Yulon Motors Sales Co., Ltd.	49.00	US\$ 5,922
Shenzhen Lan You Technology Co., Ltd.	45.00	US\$ 1,125
Dong Feng Yulon Used Cars Co., Ltd.	49.00	US\$ <u>593</u>
		US\$ <u>57,171</u>

The Company invested US\$200 thousand in Yi Hsing Corporation through Yi-Jan Overseas Investment Co., Ltd. Yi Hsing Corporation engages in inquiring selling prices of motor parts and engages in commission-based businesses.

As of June 30, 2010 and 2009, the carrying values and related investment income of Yi-Jan Overseas Investment Co., Ltd., Jet Ford Inc. and Guangzhou Aeolus Automobile Co., Ltd., were based on the investees' audited financial statements, the rest were based on the investees' unaudited financial statements.

The carrying values of the long-term investments as of June 30, 2010 and 2009, which amounted to \$4,389,071 thousand and \$3,580,562 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$460,376 thousand and \$221,085 thousand, respectively, were based on the investees' unaudited financial statements.

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

10. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Accumulated depreciation		
Machinery and equipment	\$ 16,835	\$ 23,258
Transportation equipment	3,647	5,224
Tools	3,484	2,852
Computer equipment	64,312	60,921
Other equipment	61,883	72,015
Leasehold improvement	<u>1,321</u>	<u>208</u>
	<u>\$ 151,482</u>	<u>\$ 164,478</u>

Depreciation of property, plant and equipment amounted to \$8,781 thousand and \$16,152 thousand for the six months ended June 30, 2010 and 2009, respectively.

The Company reclassified the book value of retired property, plant and equipment of \$24,991 thousand as idle assets and recognized impairment loss of \$7,384 thousand for the six months ended June 30, 2009. As of December 31, 2009, all of the idle assets have been sold.

11. DEFERRED CHARGES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Costs of molds	\$ 1,206,378	\$ 2,560,180
Dies	328,876	481,301
Computer software	<u>19,600</u>	<u>30,968</u>
	<u>\$ 1,554,854</u>	<u>\$ 3,072,449</u>

Amortization of deferred charges amounted to \$277,298 thousand and \$351,084 thousand for the six months ended June 30, 2010 and 2009, respectively.

The Company evaluated the condition of molds and dies, and recognized for all molds of the model that stopped production impairment loss of \$21,831 thousand for the six months ended June 30, 2009. The Company reclassified the book value of retired computer software of \$5,931 thousand as idle assets and recognized impairment loss of \$1,430 thousand for the six months ended June 30, 2009. As of December 31, 2009, all of the idle assets have been sold.

12. SHORT-TERM LOANS

The short-term loans were credit loans from Hua Nan Bank with annual interest rate of 1.18%-1.25% as of June 30, 2009.

13. ACCRUED EXPENSES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Wages and bonuses	\$ 193,403	\$ 66,744
Promotion expenses	170,635	117,802
VAT payable	22,215	-
Others	<u>71,751</u>	<u>62,160</u>
	<u>\$ 458,004</u>	<u>\$ 246,706</u>

14. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

Under the ROC Company Law, all components of capital surplus may be used only to offset deficit. However, the capital surplus from share issued in excess of par (i.e., excess from spin-off) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Also, the capital surplus from long-term equity investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

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

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

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

Based on past experience, the bonus to employees for six months ended June 30, 2010 was calculated at 3.41% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to employees for six months ended June 30, 2009 was calculated at 1% of net income net of 10% deduction for legal reserve.

If the estimated bonus is different from the amount approved by the stockholders, the difference will be recognized as expense in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

Under the Company Law, legal reserve should be appropriated until the balance equals to the Company's capital. This reserve may only be used to offset deficit. When the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve may be transferred to capital.

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

The appropriation of 2009 and 2008 earnings of the Company approved by the stockholders on June 21, 2010 and June 22, 2009, respectively, were as follows:

	<u>Appropriation of Earnings</u>	
	<u>2009</u>	<u>2008</u>
Legal reserve	\$ 65,288	\$ 50,432

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

The cash bonus to employees of \$9,528 thousand for 2008 was approved in stockholders' meeting on June 22, 2009. The approved amount of the cash bonus to employees was not different from the accrual amount of \$9,528 thousand reflected in the financial statements for the year ended December 31, 2008.

Information about the appropriations and distribution of the 2009 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

15. TECHNICAL COOPERATION AGREEMENT

The Company had a technical cooperation agreement (the "TCA") with Nissan. The TCA required the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$200,600 thousand and \$159,486 thousand for the six months ended June 30, 2010 and 2009, respectively, were recorded under costs of sales.

16. INCOME TAX

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

	Six Months Ended June 30	
	2010	2009
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 321,116	\$ 90,866
Add (deduct) tax effects of:		
Permanent differences	7,376	(234,074)
Temporary differences	(292,060)	(18,934)
Loss carryforwards used	(36,432)	-
Loss carryforwards	<u>-</u>	<u>162,142</u>
	-	-
Additional tax on retained earnings (10%)	58,759	45,389
Investment tax credits	<u>(58,759)</u>	<u>(13,485)</u>
Income tax payable	<u>\$ -</u>	<u>\$ 31,904</u>

The balance of the income tax payable shown on the balance sheets as of June 30, 2010 and 2009 included the income tax payable of previous years.

Income tax returns through 2007 had been examined by the tax authorities. But the Company disagreed with the examination result on its 2005 through 2007 returns and thus requested the tax authorities for a reexamination of the returns.

- b. Income tax expense (benefit) consisted of the following:

	Six Months Ended June 30	
	2010	2009
Income tax payable	\$ -	\$ 31,904
Deferred income tax	224,978	(206,970)
Prior year's income tax adjustments	<u>(12,631)</u>	<u>(2,852)</u>
Income tax expense (benefit)	<u>\$ 212,347</u>	<u>\$ (177,918)</u>

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

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

	<u>June 30</u>	
	2010	2009
Current		
Loss carryforwards	\$ 63,730	\$ -
Investment tax credits	45,093	-
Loss on inventory purchase commitment	13,530	7,205
Unrealized foreign exchange loss (gain)	<u>3,312</u>	<u>(1,431)</u>
Net deferred income tax assets	<u>\$ 125,665</u>	<u>\$ 5,774</u>
Noncurrent		
Impairment loss difference between taxable loss and book loss	\$ 82,963	\$ -
Provision for pension	74,377	82,901
Provision for warranty	11,947	12,875
Investment tax credits	482	188,524
Loss carryforwards	-	190,209
Equity in net income of overseas subsidiaries	<u>(1,179,813)</u>	<u>(1,024,321)</u>
Net deferred income tax liabilities	<u>\$ (1,010,044)</u>	<u>\$ (549,812)</u>

As of June 30, 2010, investment tax credits comprised of:

Tax Credit Item	Total Creditable Amount	Unused Creditable Amount	Expiry Year
Investments in areas with scanty natural resources	\$ 126,211	\$ 45,093	2013

The Company has investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries. Upon completion of the plans, the Company will obtain completion certificates from the government. As of June 30, 2010, the amount of the investment under the plans totaled \$4,825 thousand, with investment tax credit amount of \$482 thousand.

As of June 30, 2010, loss carryforwards comprised of:

Tax Credit Item	Total Amount	Unused Amount	Expiry Year
Loss carryforwards	\$ 60,495	\$ 24,063	2018
Loss carryforwards	39,667	39,667	2019

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

	<u>June 30</u>	
	2010	2009
Balance of imputation credit account ("ICA")	<u>\$ 414,966</u>	<u>\$ 412,424</u>

The actual ICA rates for 2009 and 2008 earnings were 11.52% and 13.68%, respectively.

17. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan was \$4,699 thousand and \$5,015 thousand for the six months ended June 30, 2010 and 2009, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,601 thousand and \$1,595 thousand as of June 30, 2010 and 2009, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Company makes monthly contributions to a retirement fund equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan. Pension expenses recognized under the defined benefit plan were \$16,561 thousand and \$17,618 thousand for the six months ended June 30, 2010 and 2009, respectively. Pension fund amounted to \$5,834 thousand and \$7,797 thousand as of June 30, 2010 and 2009, respectively. Accrued pension liabilities recognized under the defined benefit plan were \$435,854 thousand and \$412,848 thousand as of June 30, 2010 and 2009, respectively.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2010		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 457	\$ 287,712	\$ 288,169
Labor and health insurance	-	12,820	12,820
Pension	-	20,087	20,087
Other personnel expenses	-	11,147	11,147
	<u>\$ 457</u>	<u>\$ 331,766</u>	<u>\$ 332,223</u>
Depreciation	<u>\$ 772</u>	<u>\$ 8,009</u>	<u>\$ 8,781</u>
Amortization	<u>\$ 271,222</u>	<u>\$ 6,076</u>	<u>\$ 277,298</u>
	Six Months Ended June 30, 2009		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ -	\$ 191,175	\$ 191,175
Labor and health insurance	-	14,524	14,524
Pension	-	22,633	22,633
Other personnel expenses	-	10,112	10,112
	<u>\$ -</u>	<u>\$ 238,444</u>	<u>\$ 238,444</u>
Depreciation	<u>\$ -</u>	<u>\$ 16,152</u>	<u>\$ 16,152</u>
Amortization	<u>\$ 335,992</u>	<u>\$ 15,092</u>	<u>\$ 351,084</u>

19. EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>Six months ended June 30, 2010</u>					
Basic EPS					
Income for the period attributable to common shareholders	\$ 1,888,916	\$ 1,676,569	300,000	<u>\$ 6.30</u>	<u>\$ 5.59</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>553</u>		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 1,888,916</u>	<u>\$ 1,676,569</u>	<u>300,553</u>	<u>\$ 6.28</u>	<u>\$ 5.58</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS					
Income for the period attributable to common shareholders	\$ 363,463	\$ 541,381	300,000	<u>\$ 1.21</u>	<u>\$ 1.80</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>232</u>		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 363,463</u>	<u>\$ 541,381</u>	<u>300,232</u>	<u>\$ 1.21</u>	<u>\$ 1.80</u>

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

20. RELATED-PARTY TRANSACTIONS

The Company had business transactions with the following related parties:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Nissan Motor Corporation (“Nissan”)	Parent company
Nissan Trading Co., Ltd.	Subsidiary of Nissan
Nissan S.A. (Pty) Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
Nissan Motor Iberica, S.A.	Same as above
Nissan Trading Europe Ltd.	Same as above
PT. Nissan Motor Indonesia (“NMI”)	Same as above
Nissan Asia Pacific Pte. Ltd.	Same as above
Nissan (China) Investment Co., Ltd.	Same as above
Nissan Vietnam Co., Ltd.	Equity-method investee of Nissan
Nissan Motors Co., Ltd. Honmoku Plant	Same as above
Nissan Motor (Thailand) Co., Ltd.	Cost-method investee of Nissan
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Equity-method investee of Nissan
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Yi Hsing Corporation	Same as above
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon
Yueki Industrial Co., Ltd.	Same as above
Yue Sheng Industrial Co., Ltd.	Same as above
Nissan Taiwan Ltd.	Same as above
Yu Pong Business Co., Ltd.	Same as above
Yu Ching Business Co., Ltd.	Same as above
Yushin Motor Co., Ltd.	Same as above
Chi Long Motor Co., Ltd.	Same as above
Yu Chang Motor Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Yulon General Motors Co.	Same as above
Daton Co., Ltd.	Same as above
Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.)	Same as above
Luxgen Motor Co., Ltd.	Same as above
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinboum Travel Service Co., Ltd.	Same as above
Uni Calsonic Corporation	Equity-method investee of Yulon

(Continued)

Related Party	Relationship with the Company
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Hui-Lian Motor Co.	Same as above
Ka-Plus Automobile Leasing Co., Ltd.	Subsidiary of Taiwan Acceptance Corporation
Hsin Ke Limousine Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Visionary International Consulting Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Yu Chia Motor 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.
Tan Wang Co., Ltd.	Subsidiary of Yu Chang Motor Co., Ltd.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Nissan Motor Philippines, Inc. (NMPI)	Equity-method investee of Yulon
Taiway, Ltd.	Same as above
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Kian Shen Corporation	Substantial related party of Yulon
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary of Diamond Leasing Service Co., Ltd.
Carnival Co., Ltd.	The chairman of the board of director is the same person as that of the Company

(Concluded)

- b. The prices and payment terms for related-party transactions were based on agreements.

c. Significant transactions with related parties are summarized as follows:

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 12,215,595	88	\$ 7,771,759	82
Yu Chang Motor Co., Ltd.	162,990	1	125,939	1
Yuan Lon Motor Co., Ltd.	150,552	1	140,924	1
Yu Sing Motor Co., Ltd.	131,994	1	164,314	2
Chi Ho Corporation	127,495	1	183,214	2
Chen Long Co., Ltd.	104,922	1	118,956	1
Empower Motor Co., Ltd.	98,411	1	103,613	1
Hui-Lian Motor Co.	96,597	1	87,465	1
Yu Tang Motor Co., Ltd.	95,920	1	95,844	1
Yushin Motor Co., Ltd.	94,469	-	97,632	1
Nissan Motor Egypt S.A.E.	69,327	-	2,625	-
NMPI	51,738	-	22,893	-
Sin Etke Technology Co., Ltd.	31,573	-	24,762	-
Others	<u>197,885</u>	<u>2</u>	<u>218,224</u>	<u>3</u>
	<u>\$ 13,629,468</u>	<u>98</u>	<u>\$ 9,158,164</u>	<u>96</u>

2) Operating revenue - service revenue

Nissan	<u>\$ 3,891</u>	<u>100</u>	<u>\$ 133,672</u>	<u>100</u>
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The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts.

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
3) Operating revenue - others				
Zhengzhou Nissan Automobile Co., Ltd.	\$ 15,340	53	\$ 1,126	6
Yulon	6,398	22	14,626	78
Hua-Chuang Automobile Information Technical Center Co., Ltd.	4,490	15	166	1
Yu Pool Co., Ltd.	-	-	2,102	11
Others	<u>154</u>	<u>1</u>	<u>394</u>	<u>2</u>
	<u>\$ 26,382</u>	<u>91</u>	<u>\$ 18,414</u>	<u>98</u>

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

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
4) Operating cost - purchase				
Yulon	\$ 11,388,780	99	\$ 8,525,072	99
Others	<u>41,592</u>	<u>-</u>	<u>14</u>	<u>-</u>
	<u>\$ 11,430,372</u>	<u>99</u>	<u>\$ 8,525,086</u>	<u>99</u>
5) Operating cost - Technical Cooperation Agreement (“TCA”)				
Nissan	<u>\$ 200,600</u>	<u>100</u>	<u>\$ 159,486</u>	<u>100</u>
6) Operating expenses - rental				
Yulon	\$ 11,835	42	\$ 20,408	58
Ka-Plus Automobile Leasing Co., Ltd.	4,070	15	3,409	9
Sin Etke Technology Co., Ltd.	1,458	5	-	-
Hsieh Kuan Manpower Service Co., Ltd.	664	2	1,679	5
Taiwan Acceptance Corporation	-	-	2,691	8
Others	<u>587</u>	<u>2</u>	<u>19</u>	<u>-</u>
	<u>\$ 18,614</u>	<u>66</u>	<u>\$ 28,206</u>	<u>80</u>

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

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 106,089	10	\$ 101,160	12
Yu Sing Motor Co., Ltd.	94,659	9	75,613	9
Yu Chang Motor Co., Ltd.	91,686	8	50,880	6
Yuan Lon Motor Co., Ltd.	79,561	7	62,356	7
Yushin Motor Co., Ltd.	62,225	6	37,537	4
Hui-Lian Motor Co.	57,744	5	37,622	4
Empower Motor Co., Ltd.	55,191	5	51,554	6
Chen Long Co., Ltd.	45,726	4	50,352	6
Yu Tang Motor Co., Ltd.	44,982	4	39,006	5
Others	<u>111,555</u>	<u>10</u>	<u>110,626</u>	<u>13</u>
	<u>\$ 749,418</u>	<u>68</u>	<u>\$ 616,706</u>	<u>72</u>

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
8) Operating expenses - general and administrative expense				
Yulon Management Co., Ltd.	\$ 85,650	44	\$ -	-
Yulon	2,721	1	5,545	4
Sinboun Travel Service Co., Ltd.	2,639	1	2,408	2
Tokio Marine Nawa Insurance Co., Ltd.	1,681	1	2,483	2
Others	<u>4,487</u>	<u>3</u>	<u>5,568</u>	<u>4</u>
	<u>\$ 97,178</u>	<u>50</u>	<u>\$ 16,004</u>	<u>12</u>

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

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - research and development				
Hsiang Shou Enterprise Co., Ltd.	\$ 12,247	5	\$ 12,688	5
Yulon	1,979	1	8,911	4
Others	<u>567</u>	<u>-</u>	<u>258</u>	<u>-</u>
	<u>\$ 14,793</u>	<u>6</u>	<u>\$ 21,857</u>	<u>9</u>

The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expense for TOBE System. The Company also paid sample and trial fee to Yulon.

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income - others				
Tokio Marine Nawa Insurance Co., Ltd.	\$ 2,021	21	\$ 3,649	34
Others	<u>2,709</u>	<u>29</u>	<u>454</u>	<u>4</u>
	<u>\$ 4,730</u>	<u>50</u>	<u>\$ 4,103</u>	<u>38</u>

	Six Months Ended June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
11) Nonoperating expenses and losses - overseas business expense				
Sinjang Co., Ltd.	\$ 6,670	19	\$ 3,834	30
Yulon Management Co., Ltd.	6,186	18	-	-
Yulon	-	-	6,675	53
Others	<u>2,887</u>	<u>9</u>	<u>511</u>	<u>4</u>
	<u>\$ 15,743</u>	<u>46</u>	<u>\$ 11,020</u>	<u>87</u>

12) Nonoperating expenses - others

Yulon	<u>\$ 785</u>	<u>7</u>	<u>\$ 1,658</u>	<u>11</u>
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	June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
13) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 262,840	48	\$ 423,560	58
NMPI	105,596	19	92,259	13
Jet Ford, Inc.	37,314	7	15,897	2
Yulon	37,180	7	14,792	2
Sin Etke Technology Co., Ltd.	26,583	5	11,680	2
Nissan Motor Egypt S.A.E.	17,782	3	252	-
Chi Ho Corporation	5,932	1	68,073	9
Others	<u>54,058</u>	<u>10</u>	<u>100,499</u>	<u>14</u>
	<u>\$ 547,285</u>	<u>100</u>	<u>\$ 727,012</u>	<u>100</u>

Jet Ford Inc. sells parts, steel and aluminum part for the Company. As of June 30, 2010 and 2009, the accounts receivable from Jet Ford Inc. arises from related accounts.

	June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
14) Refundable deposits				
Yulon	<u>\$ -</u>	<u>-</u>	<u>\$ 90,000</u>	<u>96</u>

The Company authorized Yulon as the original equipment manufacturer (“OEM”) of automobiles, and had commitment to purchase and pay the guarantee deposit to Yulon for the six months ended June 30, 2009.

	June 30			
	2010		2009	
	Amount	% to Total	Amount	% to Total
15) Notes and accounts payable - related parties				
Yulon	\$ 962,791	74	\$ 597,098	72
Nissan	100,123	8	97,139	12
Taiwan Acceptance Corporation	68,721	5	40,170	5
Yu Sing Motor Co., Ltd.	19,219	2	9,442	1
Yu Chang Motor Co., Ltd.	17,806	1	6,082	-
Others	<u>136,853</u>	<u>10</u>	<u>84,692</u>	<u>10</u>
	<u>\$ 1,305,513</u>	<u>100</u>	<u>\$ 834,623</u>	<u>100</u>

16) The Company sold to Taiwan Acceptance Corporation accounts receivable amounted to \$984,366 thousand and \$916,770 thousand for the six months ended June 30, 2010 and 2009, 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 recognized Taiwan Acceptance Corporation's interest expenses arising from selling accounts receivable of \$569 thousand and \$541 thousand for the six months ended June 30, 2010 and 2009, respectively.

17) The Company bought tools of \$997 thousand from Nissan Taiwan, Ltd. for the six months ended June 30, 2009. The tools were recorded under property, plant and equipment.

18) Related-party sales of property, plant and equipment are summarized as follows:

	Amount	Carrying Value	Loss on Disposal
<u>Six months ended June 30, 2009</u>			
Yushin Motor Co., Ltd.	<u>\$ 1,433</u>	<u>\$ 4,645</u>	<u>\$ 3,212</u>

19) The company bought molds from related-party (purchases were recorded under deferred charges) as follows:

	Six Months Ended June 30	
	2010	2009
Uni Auto Parts Co., Ltd.	\$ 3,759	\$ 9,207
Chien Tai Industry Co., Ltd.	3,740	7,082
Y-teks, Co.	-	38,854
Taiwan Calsonic Co., Ltd.	-	20,436
Others	<u>320</u>	<u>45,866</u>
	<u>\$ 7,819</u>	<u>\$ 121,445</u>

21. SIGNIFICANT COMMITMENTS

As of June 30, 2010, significant commitments and contingencies of the Company were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of June 30, 2010, both parties had not received a notice of contract termination. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service.

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

- b. The Company has a sale and purchase contract of vehicles with Taiwan Acceptance Corporation. Besides, Taiwan Acceptance Corporation individually signed a display contract of vehicles with the Company's dealers. 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 sale and purchase contract signing date to June 30, 2010, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the 5 succeeding years and after are as follows:

Year	Rental (Thousands)
3rd to 4th of 2010	\$ 1,254
2011	2,508
2012	2,508
2013	2,508
2014 and after	8,987

- d. The Company had commitment to buy machinery and equipment for \$5,104 thousand.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

	June 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash and cash equivalents	\$ 588,743	\$ 588,743	\$ 339,487	\$ 339,487
Financial assets at fair value through profit or loss	2,393,868	2,393,868	270,359	270,359
Notes and accounts receivable	25,905	25,905	37,498	37,498
Notes and accounts receivable - related parties	547,285	547,285	727,012	727,012
Other financial assets	42,408	42,408	47,522	47,522
Long-term equity investments	15,232,299	15,232,299	13,389,358	13,389,358
Refundable deposits	3,813	3,813	93,767	93,767
Liabilities:				
Short-term loans	-	-	300,000	300,000
Notes and accounts payable	60,612	60,612	10,131	10,131
Notes and accounts payable - related parties	1,305,513	1,305,513	834,623	834,623
Income tax payable	50,985	50,985	82,888	82,888
Accrued expenses	458,004	458,004	246,706	246,706
Accrued pension liabilities	437,455	437,455	414,443	414,443

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

- 1) For financial instruments, except those mentioned in (2) and (3) below, the carrying values reported in the balance sheet approximate their fair values.
- 2) The financial assets at fair value through profit or loss is estimated at market quotations.
- 3) Fair value of long-term equity investments is based on net asset value of the investments.

c. Fair value of financial instruments was as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	June 30		June 30	
	2010	2009	2010	2009
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 2,359,280	\$ 265,388	\$ 34,588	\$ 4,971

d. Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were \$143 thousand and \$29 thousand for the six months ended June 30, 2010 and 2009, respectively.

e. Information about financial risks

1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

23. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)
- j. Derivative financial transactions: None

k. Investment in Mainland China

- 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 6 (attached)
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
 - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2010

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

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
Yulon Nissan Motor Company, Ltd.	<u>Commercial paper</u> Yuanta assets RP	-	Cash and cash equivalents	-	\$ 12,913	-	\$ 12,913	
	<u>Beneficiary certificates</u> Yuanta Wan Tai Bond Fund	-	Financial assets at fair value through profit or loss	5,528	79,997	-	80,089	
	Yuanta Global Short-Term Income Fund	-	Financial assets at fair value through profit or loss	4,000	40,000	-	40,364	
	Yuanta Advantage Private Fund	-	Financial assets at fair value through profit or loss	1,586	20,000	-	19,540	
	Jih Sun Bond Fund	-	Financial assets at fair value through profit or loss	10,638	150,000	-	150,395	
	Hua Nan Phoenix Bond Fund	-	Financial assets at fair value through profit or loss	12,838	200,000	-	200,203	
	ING Global Bond Portfolio Fund	-	Financial assets at fair value through profit or loss	3,269	40,000	-	39,069	
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss	7,694	120,000	-	120,153	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss	1,831	30,000	-	30,052	
	ING Investment Grade USD Credit Fund (Accumulate)	-	Financial assets at fair value through profit or loss	1,000	10,000	-	9,190	
	JF(Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	6,529	70,000	-	71,251	
	Manulif Asia Pacific Bond Fund	-	Financial assets at fair value through profit or loss	4,922	50,000	-	50,207	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss	15,941	229,969	-	230,396	
	FSITC Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss	15,942	180,000	-	180,330	
	Fubon Chi-Hsiang Fund	-	Financial assets at fair value through profit or loss	2,000	30,000	-	30,040	
	Trustwell Global Fixed Income Fund of Fund	-	Financial assets at fair value through profit or loss	3,182	40,000	-	39,355	
	Fuh-Hwa Global Fixed Income Fund of Fund	-	Financial assets at fair value through profit or loss	1,592	20,000	-	19,825	
Fuh-Hwa Global Bond Fund	-	Financial assets at fair value through profit or loss	18,812	260,000	-	260,292		

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss	3,100	\$ 40,000	-	\$ 40,016	
	Fuh-Hwa Strategic High Income Fund of Fund	-	Financial assets at fair value through profit or loss	7,128	75,000	-	74,418	
	Fuh-Hwa Global Commodity Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	9,090	
	Fuh-Hwa Global Short-Term Income Fund	-	Financial assets at fair value through profit or loss	2,841	30,000	-	29,770	
	Capital Multi-Income Allocation Fund	-	Financial assets at fair value through profit or loss	1,695	20,000	-	19,932	
	Capital Income Fund	-	Financial assets at fair value through profit or loss	3,890	60,000	-	60,034	
	Union Bond Fund	-	Financial assets at fair value through profit or loss	7,138	90,000	-	90,135	
	Polaris Global Active Allocation Fund of Bond Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,300	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss	7,758	100,000	-	100,193	
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	251	2,992	-	3,007	
	Cathay High Income Fund of Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,066	
	Pinrbridge Global Multi-Strategy High Yield Bond Fund	-	Financial assets at fair value through profit or loss	17,894	177,000	-	178,388	
	Pinrbridge Global Emerging Market High Yield Bond Fund	-	Financial assets at fair value through profit or loss	6,000	60,000	-	62,550	
	Allianz Global Investors Global Bond Fund	-	Financial assets at fair value through profit or loss	2,752	30,000	-	30,050	
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss	5,867	70,000	-	70,120	
	KGI Iron Triangle Fund	-	Financial assets at fair value through profit or loss	805	10,000	-	10,048	
	KGI Tumbler Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	5,000	
	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	15,232,299	100.00	15,232,299	Note 2
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u> Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 473,530	100.00	US\$ 473,530	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 203	100.00	US\$ 203	Note 3
Jet Ford, Inc.	<u>Share certificates</u> Aeolus Xiangfan Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 54,845	16.55	US\$ 51,980	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 319,994	40.00	US\$ 317,533	Note 2

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 65,789	25.00	US\$ 65,789	Note 3
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,505	49.00	US\$ 7,505	Note 3
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,319	45.00	US\$ 7,319	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 858	49.00	US\$ 858	Note 3

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

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

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

(Concluded)

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SIX MONTHS ENDED JUNE 30, 2010

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands)	Amount (Note)
Yulon Nissan Motor Company Ltd.	<u>Beneficiary certificates</u>													
	Hun Nan Phoenix Bond Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	12,838	\$ 200,000	-	\$ -	\$ -	\$ -	12,838	\$ 200,000
	FSITC Global High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	15,942	180,000	-	-	-	-	15,942	180,000
	Fuh-Hwa Global Bond Fund	Financial assets at fair value through profit or loss	-	-	10,135	140,000	8,677	120,000	-	-	-	-	18,812	260,000
	Pinrbridge Global Muti-Strategy High Yield Bond Fund (formerly AIG Global Multi-Strategy High Yield Bond Fund)	Financial assets at fair value through profit or loss	-	-	4,225	40,000	13,669	137,000	-	-	-	-	17,894	177,000
ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	21,308	250,000	21,308	250,023	250,000	23	-	-	

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

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2010

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Note/Accounts Payable or Receivable (Note 2)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yulon Nissan Motor Company Ltd.	Yulon Motor Co., Ltd.	Equity-method investor of the Company	Purchase	\$ 11,388,780	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (946,786)	93	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	12,215,595	88	4 days after sales for parts 3 days after sales for vehicles	-	-	250,155	48	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	162,990	1	15 days after sales for parts	-	-	4,601	1	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	150,552	1	15 days after sales for parts Immediate payment for vehicles	-	-	6,182	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	131,994	1	15 days after sales for parts	-	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	127,495	1	15 days after sales for parts 90 days after sales for vehicles	-	-	5,932	1	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	104,922	1	15 days after sales for parts	-	-	675	-	-

Note 1: Transaction terms are based on agreements.

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

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

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

JUNE 30, 2010

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company Ltd.	Taiwan Acceptance Corporation NMPI	Subsidiary of Yulon Equity-method investee of Yulon	\$ 262,840 105,596	114.55 1.28	\$ - -	- -	\$ 262,840 -	\$ - -

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

SIX MONTHS ENDED JUNE 30, 2010

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				June 30, 2010	Dec. 31, 2009	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Yulon Nissan Motor Company, Ltd.	Yi-Jan Overseas Investment Co., Ltd.	Cayman Islands	Investment	\$ 1,847,983 (US\$ 57,371)	\$ 1,847,983 (US\$ 57,371)	84,987	100.00	\$ 15,232,299	\$ 1,580,103	\$ 1,580,103	Note 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$ 473,530	US\$ 49,547	US\$ 49,547	Note 2
	Yi Hsing Corporation	Philippines	Inquire of parts sales prices and commission-based business	US\$ 200	US\$ 200	1,100	100.00	US\$ 203	US\$ (6)	US\$ (6)	Note 3
Jet Ford, Inc.	Aeolus Xiangfan Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 54,845	US\$ 63,755	US\$ 10,351	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	40.00	US\$ 319,994	US\$ 84,638	US\$ 33,164	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 10,890	US\$ 10,890	-	25.00	US\$ 65,789	US\$ 16,293	US\$ 4,073	Note 3
	Dong Feng Yulon Motors Sales Co., Ltd.	Hubei (Mainland China)	Selling of parts, repair and maintenance of vehicles, and related services	US\$ 5,922	US\$ 5,922	-	49.00	US\$ 7,505	US\$ (87)	US\$ (43)	Note 3
	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\$ 7,319	US\$ 55	US\$ 25	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars.	US\$ 593	US\$ 593	-	49.00	US\$ 858	US\$ 68	US\$ 33	Note 3

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

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

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

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2010

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

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2010	Accumulated Inward Remittance of Earnings as of June 30, 2010
					Outflow	Inflow					
Aeolus Xiangfan Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	\$ 3,581,037 (RMB 826,000)	Note 1	\$ 716,856 (US\$ 21,700)	\$ -	\$ -	\$ 716,856 (US\$ 21,700)	16.55%	\$ 330,156 (US\$ 10,351)	\$ 1,763,249 (US\$ 54,845)	\$ -
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB 2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00%	1,057,839 (US\$ 33,164)	10,287,812 (US\$ 319,994)	1,269,572 (US\$ 39,777)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	663,931 (RMB 173,350)	Note 1	345,322 (US\$ 10,890)	-	-	345,322 (US\$ 10,890)	25.00%	129,921 (US\$ 4,073)	2,115,123 (US\$ 65,789)	-
Dong Feng Yulon Motors Sales Co., Ltd.	Selling of parts, repair and maintenance of vehicles, and related services	383,000 (RMB 100,000)	Note 1	187,787 (US\$ 5,922)	-	-	187,787 (US\$ 5,922)	49.00%	(1,364) (US\$ -43)	241,291 (US\$ 7,505)	-
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%	788 (US\$ 25)	235,301 (US\$ 7,319)	-
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%	1,066 (US\$ 33)	27,581 (US\$ 858)	-

Accumulated Investment in Mainland China as of June 30, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,841,642 (US\$57,171)	\$1,917,100 (US\$59,660)	\$10,223,777

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

Note 2: The carrying values and related investment income (loss) of Guangzhou Aeolus Automobile Co., Ltd. were based on the investee's audited financial statements, the rest were based on the investees' unaudited financial statements.

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