

**Yulon Nissan Motor Company, Ltd.**

**Financial Statements for the  
Nine Months Ended September 30, 2010 and 2009 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of September 30, 2010 and 2009, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as described in the third paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "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.

As stated in Note 9 to the financial statements, the carrying values of the long-term investments accounted for by the equity method as of September 30, 2010 and 2009, which were NT\$15,611,656 and NT\$13,434,246 thousand, respectively, and the related investment income of NT\$2,195,948 thousand and NT\$1,748,074 thousand for the nine months ended September 30, 2010 and 2009, respectively, were based on the investees' unreviewed financial statements.

Based on our reviews, except for such adjustments, if any, as might have been determined to be necessary had the investment information mentioned in the third paragraph and related information been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Yulon Nissan Motor Company, Ltd. referred to above for them to be 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".

October 18, 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 review such financial statements are those generally accepted and applied in the Republic of China.*

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

# YULON NISSAN MOTOR COMPANY, LTD.

## BALANCE SHEETS

SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 409,452	2	\$ 449,278	3	Short-term loans (Note 12)	\$ -	-	\$ 100,000	1
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,670,913	13	492,940	3	Notes and accounts payable	48,090	-	23,682	-
Notes and accounts receivable (Notes 2 and 6)	38,636	-	39,123	-	Notes and accounts payable - related parties (Note 20)	1,366,591	7	822,008	5
Notes and accounts receivable - related parties (Note 20)	671,053	4	635,773	4	Income tax payable (Notes 2 and 16)	50,985	-	78,037	-
Other financial assets (Note 7)	38,589	-	45,745	-	Accrued expenses (Note 13)	452,838	2	186,605	1
Inventories (Notes 2, 3 and 8)	1,563	-	1,652	-	Other current liabilities	<u>103,115</u>	<u>1</u>	<u>65,243</u>	<u>-</u>
Prepayments	3,720	-	3,662	-	Total current liabilities	<u>2,021,619</u>	<u>10</u>	<u>1,275,575</u>	<u>7</u>
Deferred income tax assets, net (Notes 2 and 16)	19,217	-	6,754	-	<b>OTHER LIABILITIES</b>				
Other current assets	-	-	72,446	-	Accrued pension liabilities (Notes 2 and 17)	444,489	2	417,070	2
Total current assets	<u>3,853,143</u>	<u>19</u>	<u>1,747,373</u>	<u>10</u>	Deferred income tax liabilities, net (Notes 2 and 16)	1,022,468	5	669,674	4
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>15,611,656</u>	<u>74</u>	<u>13,434,246</u>	<u>74</u>	Warranty (Note 2)	<u>89,892</u>	<u>-</u>	<u>63,233</u>	<u>-</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)</b>					Total other liabilities	<u>1,556,849</u>	<u>7</u>	<u>1,149,977</u>	<u>6</u>
Cost					Total liabilities	<u>3,578,468</u>	<u>17</u>	<u>2,425,552</u>	<u>13</u>
Machinery and equipment	21,863	-	28,107	-	<b>STOCKHOLDERS' EQUITY (Notes 2 and 14)</b>				
Transportation equipment	4,290	-	6,661	-	Capital stock - NT\$10.00 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>14</u>	<u>3,000,000</u>	<u>16</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	75,030	-	90,654	1	Gains on long-term investments	<u>2,461</u>	<u>-</u>	<u>2,461</u>	<u>-</u>
Leasehold improvement	<u>4,559</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	194,271	1	223,589	1	Retained earnings				
Less: Accumulated depreciation	<u>155,593</u>	<u>1</u>	<u>169,212</u>	<u>1</u>	Legal reserve	1,093,293	5	1,028,005	6
	38,678	-	54,377	-	Special reserve	379,840	2	379,840	2
Prepayments for equipment	<u>2,690</u>	<u>-</u>	<u>2,434</u>	<u>-</u>	Unappropriated earnings	<u>5,886,735</u>	<u>28</u>	<u>3,977,979</u>	<u>22</u>
Property, plant and equipment, net	<u>41,368</u>	<u>-</u>	<u>56,811</u>	<u>-</u>	Total retained earnings	<u>7,359,868</u>	<u>35</u>	<u>5,385,824</u>	<u>30</u>
<b>OTHER ASSETS</b>					Cumulative translation adjustments	<u>1,085,134</u>	<u>5</u>	<u>1,379,322</u>	<u>8</u>
Idle assets (Notes 2, 10 and 11)	-	-	18,730	-	Total stockholders' equity	<u>17,433,970</u>	<u>83</u>	<u>15,754,114</u>	<u>87</u>
Refundable deposits	3,981	-	4,481	-	<b>TOTAL</b>	<u>\$ 21,012,438</u>	<u>100</u>	<u>\$ 18,179,666</u>	<u>100</u>
Deferred charges (Notes 2, 11 and 20)	<u>1,502,290</u>	<u>7</u>	<u>2,918,025</u>	<u>16</u>					
Total other assets	<u>1,506,271</u>	<u>7</u>	<u>2,941,236</u>	<u>16</u>					
<b>TOTAL</b>	<u>\$ 21,012,438</u>	<u>100</u>	<u>\$ 18,179,666</u>	<u>100</u>					

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

(With Deloitte & Touche review report dated October 18, 2010)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
SALES (Note 20)	\$ 20,727,879	100	\$ 14,733,937	100
LESS: SALES RETURNS	3,523	-	4,488	-
SALES ALLOWANCES	<u>3,962</u>	<u>-</u>	<u>11,477</u>	<u>-</u>
NET SALES	20,720,394	100	14,717,972	100
COST OF SALES (Note 20)	<u>17,889,891</u>	<u>86</u>	<u>13,641,191</u>	<u>93</u>
GROSS PROFIT	<u>2,830,503</u>	<u>14</u>	<u>1,076,781</u>	<u>7</u>
OPERATING EXPENSES (Note 20)				
Marketing and selling	1,747,289	9	1,323,874	9
General and administrative	283,665	1	159,383	1
Research and development	<u>390,146</u>	<u>2</u>	<u>361,313</u>	<u>2</u>
Total operating expenses	<u>2,421,100</u>	<u>12</u>	<u>1,844,570</u>	<u>12</u>
OPERATING GAIN (LOSS)	<u>409,403</u>	<u>2</u>	<u>(767,789)</u>	<u>(5)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	2,195,948	11	1,748,074	12
Gain from valuation of financial assets	43,491	-	1,739	-
Foreign exchange gain	6,309	-	-	-
Interest income	472	-	1,976	-
Gain on sale of investments, net	-	-	3,046	-
Others (Note 20)	<u>31,981</u>	<u>-</u>	<u>12,439</u>	<u>-</u>
Total nonoperating income and gains	<u>2,278,201</u>	<u>11</u>	<u>1,767,274</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 20)	49,076	-	38,863	1
Loss on sale of investments, net	6,310	-	-	-
Interest expense (Note 20)	930	-	2,650	-
Impairment loss (Notes 10 and 11)	-	-	30,645	-
Loss on disposal of property, plant and equipment (Note 20)	-	-	3,869	-
Foreign exchange loss, net	-	-	1,174	-
Others (Note 20)	<u>15,100</u>	<u>-</u>	<u>22,118</u>	<u>-</u>
Total nonoperating expenses and losses	<u>71,416</u>	<u>-</u>	<u>99,319</u>	<u>1</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,616,188	13	\$ 900,166	6
INCOME TAX BENEFITS (EXPENSES) (Notes 2 and 16)	<u>(331,219)</u>	<u>(2)</u>	<u>63,637</u>	<u>1</u>
NET INCOME	<u>\$ 2,284,969</u>	<u>11</u>	<u>\$ 963,803</u>	<u>7</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 8.72</u>	<u>\$ 7.62</u>	<u>\$ 3.00</u>	<u>\$ 3.21</u>
Diluted	<u>\$ 8.71</u>	<u>\$ 7.60</u>	<u>\$ 3.00</u>	<u>\$ 3.21</u>

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

(With Deloitte & Touche review report dated October 18, 2010)

(Concluded)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,284,969	\$ 963,803
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	441,228	581,510
Impairment loss	-	30,645
Loss (gain) on sale of investments, net	6,310	(3,046)
Equity in net income of investees	(2,195,948)	(1,748,074)
Cash dividends from equity-method investees	-	386,016
Gain from valuation of financial assets	(43,491)	(1,739)
Loss on disposal of property, plant and equipment	-	3,869
Deferred income taxes	343,850	(88,088)
Provision for pension costs	20,037	16,743
Provision for loss on inventory purchase commitment	43,560	3,154
Provision for warranty liabilities	19,793	(6,719)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,504,142)	(488,155)
Notes and accounts receivable	(9,318)	(10,369)
Notes and accounts receivable - related parties	(273,317)	(49,027)
Other financial assets	15,277	16,153
Inventories	(669)	(1,652)
Prepayments	(802)	21,852
Other current assets	36,632	(682)
Notes and accounts payable	45,113	(20,704)
Notes and accounts payable - related parties	532,503	166,490
Income tax payable	(22,429)	(9,225)
Accrued expenses	140,560	(136,327)
Other current liabilities	<u>(4,007)</u>	<u>(14,394)</u>
Net cash used in operating activities	<u>(124,291)</u>	<u>(387,966)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(4,720)	(12,322)
Decrease in refundable deposits	3,379	1,384
Increase in deferred charges	(155,674)	(307,870)
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>2,190</u>
Net cash used in investing activities	<u>(157,015)</u>	<u>(316,618)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	<u>-</u>	<u>100,000</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2010	2009
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (281,306)	\$ (604,584)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>690,758</u>	<u>1,053,862</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 409,452</u>	<u>\$ 449,278</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ <u>930</u>	\$ <u>2,647</u>
Income tax	\$ <u>9,817</u>	\$ <u>33,676</u>

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

(With Deloitte & Touche review report dated October 18, 2010)

(Concluded)

# **YULON NISSAN MOTOR COMPANY, LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**

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

**(Reviewed, Not Audited)**

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### **1. ORGANIZATION AND OPERATIONS**

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

As of September 30, 2010 and 2009, the Company had 389 and 418 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 properties, 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 Equivalents**

Cash equivalents are commercial paper 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.

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 is an objective evidence indicating that the recoverable amount of an asset is less than its carrying amount.

### **Property, Plant and Equipment**

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

Depreciation expense is determined based upon the asset's estimated useful life using the straight-line method. The estimated useful lives are as follows: machinery and equipment, 3 to 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 stockholders 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 CHANGES IN 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>September 30</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	243,936	309,457
Time deposits, annual yield rate - 0.64%	1,500	1,500
Foreign-currency demand deposits	<u>151,391</u>	<u>115,643</u>
	396,847	426,620
Cash equivalents		
Foreign commercial paper, annual yield rate - 2010: 1.50%; 2009: 1.00%-1.75%	<u>12,605</u>	<u>22,658</u>
	<u>\$ 409,452</u>	<u>\$ 449,278</u>

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

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Financial assets held for trading		
Mutual funds	<u>\$ 2,670,913</u>	<u>\$ 492,940</u>

Net gain on financial assets held for trading for the nine months ended September 30, 2010 and 2009 was \$37,181 thousand and \$4,785 thousand, respectively.

## 6. NOTES AND ACCOUNTS RECEIVABLE

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 578	\$ 4,562
Accounts receivable	<u>38,058</u>	<u>34,561</u>
	<u>\$ 38,636</u>	<u>\$ 39,123</u>

## 7. OTHER FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Tax refund receivable	\$ 33,339	\$ 35,936
Lease receivable	421	5,774
Interest receivable	10	5
Others	<u>4,819</u>	<u>4,030</u>
	<u>\$ 38,589</u>	<u>\$ 45,745</u>

## 8. INVENTORIES

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Parts	<u>\$ 1,563</u>	<u>\$ 1,652</u>

The cost of inventories recognized as cost of sales for the nine months ended September 30, 2010 was \$17,889,891 thousand, which included warranty cost of \$74,462 thousand and loss on inventory purchase commitment of \$43,560 thousand. The cost of inventories recognized as cost of sales for the nine months ended September 30, 2009 was \$13,641,191 thousand, which included warranty cost of \$49,263 thousand and loss on inventory purchase commitment of \$3,154 thousand.

## 9. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2010		2009	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>15,611,656</u>	100	\$ <u>13,434,246</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 September 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	<u>US\$ 593</u>
		<u>US\$ 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 inquires selling prices of motor parts and engages in commission-based businesses.

The carrying values of the long-term investments accounted for by the equity method as of September 30, 2010 and 2009, which were \$15,611,656 thousand and \$13,434,246 thousand, respectively, and the related investment income of \$2,195,948 thousand and \$1,748,074 thousand for the nine months ended September 30, 2010 and 2009, respectively, were based on the investees' unreviewed financial statements.

## 10. PROPERTY, PLANT AND EQUIPMENT

	September 30	
	2010	2009
Accumulated depreciation		
Machinery and equipment	\$ 17,022	\$ 23,458
Transportation equipment	3,721	4,889
Tools	3,643	3,009
Computer equipment	66,673	64,445
Other equipment	62,893	72,943
Leasehold improvement	<u>1,641</u>	<u>468</u>
	<u>\$ 155,593</u>	<u>\$ 169,212</u>

Depreciation of property, plant and equipment amounted to \$12,892 thousand and \$21,394 thousand for the nine months ended September 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 nine months ended September 30, 2009. As of December 31, 2009, all of the idle assets have been sold.

## 11. DEFERRED CHARGES

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Costs of molds	\$ 1,186,570	\$ 2,442,814
Dies	298,652	450,082
Computer software	<u>17,068</u>	<u>25,129</u>
	<u>\$ 1,502,290</u>	<u>\$ 2,918,025</u>

Amortization of deferred charges amounted to \$428,336 thousand and \$556,738 thousand for the nine months ended September 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 nine months ended September 30, 2009. The Company reclassified the book value of retired computer software of \$5,931 thousand as idle assets and recognized an impairment loss of \$1,430 thousand for the nine months ended September 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 1.08% as of September 30, 2009.

## 13. ACCRUED EXPENSES

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Wages and bonuses	\$ 250,852	\$ 75,734
Promotion expenses	127,877	42,794
Others	<u>74,109</u>	<u>68,077</u>
	<u>\$ 452,838</u>	<u>\$ 186,605</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 nine months ended September 30, 2010 was calculated at 5% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to employees for nine months ended September 30, 2009 was calculated at 1% of net income net of the 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 stockholders' 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 stockholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

	<b>Appropriation of Earnings</b>	
	<b>2009</b>	<b>2008</b>
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 on 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 \$299,316 thousand and \$244,424 thousand for the nine months ended September 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:

	<b><u>Nine Months Ended September 30</u></b>	
	<b>2010</b>	<b>2009</b>
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 444,752	\$ 225,042
Add (deduct) tax effects of:		
Permanent differences	2,630	(384,409)
Temporary differences	(398,321)	(33,561)
Loss carryforwards used	(49,061)	-
Loss carryforwards	<u>-</u>	<u>96,812</u>
	-	-
Additional tax on retained earnings (10%)	58,759	45,389
Investment tax credits	<u>(58,759)</u>	<u>(18,086)</u>
Income tax payable	<u>\$ -</u>	<u>\$ 27,303</u>

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

The balance of the income tax payable shown on the balance sheets as of September 30, 2009 was net of prepaid income tax and added to 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 this returns.



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

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax payable	\$ -	\$ 27,303
Deferred income tax	343,850	(88,088)
Prior year's income tax adjustments	<u>(12,631)</u>	<u>(2,852)</u>
Income tax expense (benefit)	<u>\$ 331,219</u>	<u>\$ (63,637)</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 a income tax benefit or expense.

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Current</b>		
Loss carryforward	\$ 2,218	\$ -
Provision of loss on inventory purchase commitment	13,530	7,205
Unrealized foreign exchange loss (gain)	<u>3,469</u>	<u>(451)</u>
Net deferred income tax assets	<u>\$ 19,217</u>	<u>\$ 6,754</u>
<b>Noncurrent</b>		
Impairment loss difference between taxable loss and book loss	\$ 76,739	\$ 899
Provision for pension	75,542	83,438
Loss carryforwards	48,883	137,945
Investment tax credits	45,593	189,168
Provision for warranty	15,282	12,647
Equity in net income of overseas subsidiaries	<u>(1,284,507)</u>	<u>(1,093,771)</u>
Net deferred income tax liabilities	<u>\$ (1,022,468)</u>	<u>\$ (669,674)</u>

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

<b>Tax Credit Item</b>	<b>Total Creditable Amount</b>	<b>Unused Creditable Amount</b>	<b>Expiry Year</b>
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. As of September 30, 2010, the amount of the investment under the plans totaled \$5,000 thousand, with investment tax credits amount of \$500 thousand.

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

<b>Tax Credit Item</b>	<b>Total Amount</b>	<b>Unused Amount</b>	<b>Expiry Year</b>
Loss carryforwards	\$ 60,495	\$ 11,434	2018
Loss carryforwards	39,667	39,667	2019

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
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 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 \$7,374 thousand and \$7,324 thousand for the nine months ended September 30, 2010 and 2009, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,779 thousand and \$1,534 thousand as of September 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 \$24,841 thousand and \$26,428 thousand for the nine months ended September 30, 2010 and 2009, respectively. Pension fund amounted to \$852 thousand and \$6,017 thousand as of September 30, 2010 and 2009, respectively. Accrued pension liabilities recognized under the defined benefit plan were \$442,710 thousand and \$415,536 thousand as of September 30, 2010 and 2009, respectively.

## 18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>Nine Months Ended September 30, 2010</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ 704	\$ 437,775	\$ 438,479
Labor and health insurance	-	19,160	19,160
Pension	-	30,562	30,562
Other personnel expenses	-	16,897	16,897
	<u>\$ 704</u>	<u>\$ 504,394</u>	<u>\$ 505,098</u>
Depreciation	<u>\$ 1,165</u>	<u>\$ 11,727</u>	<u>\$ 12,892</u>
Amortization	<u>\$ 419,728</u>	<u>\$ 8,608</u>	<u>\$ 428,336</u>

	<b>Nine Months Ended September 30, 2009</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salaries	\$ -	\$ 270,935	\$ 270,935
Labor and health insurance	-	19,859	19,859
Pension	-	31,746	31,746
Other personnel expenses	-	14,760	14,760
	<u>\$ -</u>	<u>\$ 337,300</u>	<u>\$ 337,300</u>
Depreciation	<u>\$ -</u>	<u>\$ 21,394</u>	<u>\$ 21,394</u>
Amortization	<u>\$ 535,807</u>	<u>\$ 20,931</u>	<u>\$ 556,738</u>

## 19. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		Shares (Denominator) (Thousands)	<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Nine months ended September 30, 2010</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 2,616,188	\$ 2,284,969	300,000	<u>\$ 8.72</u>	<u>\$ 7.62</u>
Effect of dilutive potential common stock Bonus to employees	-	-	526		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 2,616,188</u>	<u>\$ 2,284,969</u>	<u>300,526</u>	<u>\$ 8.71</u>	<u>\$ 7.60</u>
<u>Nine months ended September 30, 2009</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 900,166	\$ 963,803	300,000	<u>\$ 3.00</u>	<u>\$ 3.21</u>
Effect of dilutive potential common stock Bonus to employees	-	-	185		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 900,166</u>	<u>\$ 963,803</u>	<u>300,185</u>	<u>\$ 3.00</u>	<u>\$ 3.21</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
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

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Sinboum Travel Service Co., Ltd.	Same as above
Uni Calsonic Corporation	Equity-method investee of Yulon
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
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
Shian Jin Power Co., 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
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:

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 18,151,529	88	\$ 11,928,592	82
Yu Chang Motor Co., Ltd.	246,297	1	211,058	2
Yuan Lon Motor Co., Ltd.	229,324	1	209,822	1
Yu Sing Motor Co., Ltd.	204,191	1	243,909	2
Chi Ho Corporation	193,886	1	300,251	2
Chen Long Co., Ltd.	157,333	1	174,818	1
Empower Motor Co., Ltd.	150,732	1	152,713	1
Yushin Motor Co., Ltd.	146,824	1	147,999	1
Hui-Lian Motor Co.	146,381	1	135,944	1
Yu Tang Motor Co., Ltd.	143,232	-	144,889	1
Nissan Motor Egypt S.A.E.	122,168	-	35,148	-
NMPI	75,866	-	47,740	-
Others	<u>344,195</u>	<u>2</u>	<u>358,299</u>	<u>3</u>
	<u>\$ 20,311,958</u>	<u>98</u>	<u>\$ 14,091,182</u>	<u>97</u>

2) Operating revenue - service revenue

Nissan	<u>\$ 12,702</u>	<u>100</u>	<u>\$ 134,540</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.

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
3) Operating revenue - others				
Yulon	\$ 18,742	43	\$ 19,045	81
Zhengzhou Nissan Automobile Co., Ltd	16,751	38	1,126	5
Hua-Chuang Automobile Information Technical Center Co., Ltd.	4,651	11	319	1
Yu Pool Co., Ltd.	-	-	2,102	9
Others	<u>1,033</u>	<u>2</u>	<u>530</u>	<u>2</u>
	<u>\$ 41,177</u>	<u>94</u>	<u>\$ 23,122</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.

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
4) Operating cost - purchase				
Yulon	\$ 16,953,462	99	\$ 12,793,933	99
Others	<u>53,993</u>	<u>-</u>	<u>6,794</u>	<u>-</u>
	<u>\$ 17,007,455</u>	<u>99</u>	<u>\$ 12,800,727</u>	<u>99</u>
5) Operating cost - Technical Cooperation Agreement ("TCA")				
Nissan	<u>\$ 299,316</u>	<u>100</u>	<u>\$ 244,424</u>	<u>100</u>
6) Operating expenses - rental				
Yulon	\$ 16,733	40	\$ 30,988	56
Ka-Plus Automobile Leasing Co., Ltd.	6,279	15	6,343	11
Sin Etke Technology Co., Ltd.	2,187	5	-	-
Tang Li Enterprise Co., Ltd.	701	2	168	-
Hsieh Kuan Manpower Service Co., Ltd.	664	2	2,275	4
Taiwan Acceptance Corporation	-	-	2,691	5
Others	<u>484</u>	<u>1</u>	<u>175</u>	<u>1</u>
	<u>\$ 27,048</u>	<u>65</u>	<u>\$ 42,640</u>	<u>77</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., Tang Li Enterprise Co., Ltd. and Taiwan Acceptance Corporation and pays the rental expenses monthly. The Company leases customer service system from Sin Etke Technology Co., Ltd., and pays the rental expenses monthly. Hsieh Kuan Manpower Service Co., Ltd. provides the Company driving services for its executives and charges monthly.

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 166,827	10	\$ 146,765	11
Yu Chang Motor Co., Ltd.	165,370	10	98,660	7
Yu Sing Motor Co., Ltd.	162,086	9	120,893	9
Yuan Lon Motor Co., Ltd.	132,627	8	100,855	8
Yushin Motor Co., Ltd.	103,973	6	73,620	6
Hui-Lian Motor Co.	99,262	6	64,180	5
Empower Motor Co., Ltd.	95,800	5	88,551	7
Chen Long Co., Ltd.	83,835	5	85,062	6
Chi Ho Corporation	78,711	4	59,521	4
Yu Tang Motor Co., Ltd.	76,983	4	63,202	5
Others	<u>109,263</u>	<u>6</u>	<u>122,045</u>	<u>9</u>
	<u>\$ 1,274,737</u>	<u>73</u>	<u>\$ 1,023,354</u>	<u>77</u>

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
8) Operating expenses - general and administrative expense				
Yulon Management Co., Ltd.	\$ 114,750	40	\$ -	-
Sinboum Travel Service Co., Ltd.	3,824	1	3,596	2
Yulon	2,917	1	7,568	5
Hsieh Kuan Manpower Service Co., Ltd.	2,328	1	1,261	1
Tokio Marine Newa Insurance Co., Ltd.	2,250	1	3,092	2
Others	<u>4,604</u>	<u>2</u>	<u>6,406</u>	<u>4</u>
	<u>\$ 130,673</u>	<u>46</u>	<u>\$ 21,923</u>	<u>14</u>

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

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
9) Operating expenses - research and development expense				
Hsiang Shou Enterprise Co., Ltd.	\$ 18,156	5	\$ 18,848	5
Yulon	2,185	-	17,695	5
Others	<u>748</u>	<u>-</u>	<u>724</u>	<u>-</u>
	<u>\$ 21,089</u>	<u>5</u>	<u>\$ 37,267</u>	<u>10</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.

	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
10) Nonoperating income and gains - others				
Tokio Marine Newa Insurance Co., Ltd.	\$ 2,729	9	\$ 3,739	30
Hua-Chuang Automobile Information Technical Center Co., Ltd.	1,533	5	-	-
Yulon	1,086	3	454	4
Others	<u>4,461</u>	<u>14</u>	<u>144</u>	<u>1</u>
	<u>\$ 9,809</u>	<u>31</u>	<u>\$ 4,337</u>	<u>35</u>



	<b>Nine Months Ended September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
11) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	\$ 23,758	37	\$ -	-
Sinjang Co., Ltd.	5,726	9	4,753	12
Visionary International Consulting Co., Ltd.	2,005	3	-	-
Yulon	-	-	9,129	24
Others	<u>3,322</u>	<u>5</u>	<u>962</u>	<u>2</u>
	<u>\$ 34,811</u>	<u>54</u>	<u>\$ 14,844</u>	<u>38</u>

12) Nonoperating expenses and losses - others

Yulon	<u>\$ 812</u>	<u>1</u>	<u>\$ 1,659</u>	<u>8</u>
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	<b>September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
13) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 429,663	64	\$ 377,528	59
NMPI	114,090	17	67,904	11
Nissan Motor Egypt S.A.E.	29,755	4	31,919	5
Jet Ford, Inc.	17,542	3	11,227	2
Chi Ho Corporation	6,669	1	30,748	5
Others	<u>73,334</u>	<u>11</u>	<u>116,447</u>	<u>18</u>
	<u>\$ 671,053</u>	<u>100</u>	<u>\$ 635,773</u>	<u>100</u>

The notes and accounts receivable from Jet Ford, Inc. as of September 30, 2010 and 2009 arose from coursing through Jet Ford, Inc. the Company's shipment of steel and aluminum parts to manufacturers in China.

	<b>September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
14) Notes and accounts payable - related parties				
Yulon	\$ 938,896	69	\$ 561,417	68
Nissan	103,215	8	89,452	11
Taiwan Acceptance Corporation	63,320	5	56,628	7
Yueki Industrial Co., Ltd.	61,091	4	4,711	1
Others	<u>200,069</u>	<u>14</u>	<u>109,800</u>	<u>13</u>
	<u>\$ 1,366,591</u>	<u>100</u>	<u>\$ 822,008</u>	<u>100</u>

- 15) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$1,452,792 thousand and \$1,401,290 thousand for the nine months ended September 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 \$831 thousand and \$814 thousand for the nine months ended September 30, 2010 and 2009, respectively.
- 16) The Company bought tools of \$997 thousand from Nissan Taiwan, Ltd. for the nine months ended September 30, 2009. The tools were recorded under property, plant and equipment.
- 17) Related party sales of property, plant and equipment are summarized as follows:

	Amount	Carrying Value	Loss on Disposal
<u>Nine months ended September 30, 2009</u>			
Yushin Motor Co., Ltd.	<u>\$ 2,190</u>	<u>\$ 6,059</u>	<u>\$ (3,869)</u>

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

	<u>Nine Months Ended September 30</u>	
	2010	2009
Yueki Industrial Co., Ltd.	\$ 77,715	\$ 18,223
Uni Auto Parts Co., Ltd.	36,602	15,239
Y-teks, Co.	20,002	39,745
Chien Tai Industry Co., Ltd.	3,759	7,082
Taiwan Calsonic Co., Ltd.	-	26,836
China Ogihara Corporation	-	15,458
Others	<u>341</u>	<u>19,078</u>
	<u>\$ 138,419</u>	<u>\$ 141,661</u>

## 21. SIGNIFICANT COMMITMENTS

As of September 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 September 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 September 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 next five years and after are as follows:

Year	Rental (Thousands)
4th quarter of 2010	\$ 627
2011	2,508
2012	2,508
2013	2,508
2014 and after	8,987

- d. The Company had a commitment to buy computer equipment for \$2,604 thousand and other equipment for \$4,825 thousand.

## 22. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments:

	September 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash and cash equivalents	\$ 409,452	\$ 409,452	\$ 449,278	\$ 449,278
Financial assets at fair value through profit or loss	2,670,913	2,670,913	492,940	492,940
Notes and accounts receivable	38,636	38,636	39,123	39,123
Notes and accounts receivable - related parties	671,053	671,053	635,773	635,773
Other financial assets	38,589	38,589	45,745	45,745
Long-term equity investments	15,611,656	15,611,656	13,434,246	13,434,246
Refundable deposits	3,981	3,981	4,481	4,481
Liabilities:				
Short-term loans	-	-	100,000	100,000
Notes and accounts payable	48,090	48,090	23,682	23,682
Notes and accounts payable - related parties	1,366,591	1,366,591	822,008	822,008
Income tax payable	50,985	50,985	78,037	78,037
Accrued expenses	452,838	452,838	186,605	186,605
Accrued pension liabilities	444,489	444,489	417,070	417,070

- 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:

	<b>Amount Based on Quoted Market Price</b>		<b>Amount Determined Using Valuation Techniques</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 2,590,565	\$ 447,874	\$ 80,348	\$ 45,066

- d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$617 thousand and \$66 thousand for the nine months ended September 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 payables: None
    - b) Amount and percentage of sales; the balance and percentage of related accounts receivables: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
    - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
    - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

## MARKETABLE SECURITIES HELD

SEPTEMBER 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	September 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	-	\$ 12,605	-	\$ 12,605	
	<u>Beneficiary certificates</u> HSBC Resources Rich Countries Bond Fund-Distribution	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,207	
	Yuanta Global Short-Term Income Fund	-	Financial assets at fair value through profit or loss	5,977	60,020	-	60,694	
	Yuanta Global Asset Securitization Balanced Income Fund	-	Financial assets at fair value through profit or loss	1,828	20,020	-	19,927	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss	1,346	20,000	-	20,007	
	Jih Sun Bond Fund	-	Financial assets at fair value through profit or loss	13,467	190,000	-	190,580	
	ING Global Bond Portfolio	-	Financial assets at fair value through profit or loss	3,269	40,000	-	40,032	
	ING Taiwan Select Bond Fund	-	Financial assets at fair value through profit or loss	6,810	80,000	-	80,025	
	ING EMD & High Yield Bond Porfolio - Accumulate	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,023	
	JF (Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	6,529	70,000	-	72,498	
	JPM (Taiwan) BRICS5 Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	10,750	
	Manulife Asia Pacific Bond Fund	-	Financial assets at fair value through profit or loss	4,922	50,000	-	51,529	
	Manulife Emerging Market High Yield Bond Fund - A	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,001	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss	15,941	229,969	-	230,613	
	FSITC Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss	11,443	129,207	-	135,525	
	UPAMC Great China Small-Mid Cap Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	10,590	
	Fubon Yield Enrichment Fund of Funds	-	Financial assets at fair value through profit or loss	2,000	20,000	-	19,894	
	Truswell Global Fixed Income Fund of Fund	-	Financial assets at fair value through profit or loss	3,182	40,000	-	41,285	

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	September 30, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Fuh Hwa Emerging Market Active Allocation Fund of Funds	-	Financial assets at fair value through profit or loss	2,000	\$ 20,000	-	\$ 20,120	
	Fuh-Hwa Global Bond Fund	-	Financial assets at fair value through profit or loss	24,594	340,000	-	340,594	
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss	6,197	80,000	-	80,071	
	Fuh-Hwa Strategic High Income Fund of Funds	-	Financial assets at fair value through profit or loss	7,128	75,000	-	78,624	
	Fuh-Hwa Global Commodity Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	9,960	
	Fuh-Hwa Global Short-Term Income Fund	-	Financial assets at fair value through profit or loss	4,731	50,000	-	50,510	
	The Rsit Enhanced Bond Fund	-	Financial assets at fair value through profit or loss	3,492	40,000	-	40,017	
	Reliance Chinese Selected Growth Equity Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	5,210	
	Capital Asia Pacific Medium and Small Cap Equity Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	5,400	
	Capital Multi-Income Allocation Fund	-	Financial assets at fair value through profit or loss	1,695	20,000	-	20,627	
	Capital Income Fund	-	Financial assets at fair value through profit or loss	9,717	150,000	-	150,099	
	Union Bond Fund	-	Financial assets at fair value through profit or loss	10,306	130,000	-	130,279	
	Polaris De-Bao Fund	-	Financial assets at fair value through profit or loss	3,478	40,000	-	40,013	
	Polaris Global Active Allocation Fund of Bond Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	21,220	
	Sinopac Global Emerging Markets Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	10,060	
	IBT Ta-Chong Bond Fund	-	Financial assets at fair value through profit or loss	2,948	40,000	-	40,037	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss	7,758	100,000	-	100,286	
	Cathay High Income Fund of Funds	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,825	
	Cathay Emerging Markets Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	10,180	
	PineBridge Global Multi - Strategy High Yield Bond Fund-A	-	Financial assets at fair value through profit or loss	13,669	135,206	-	144,946	
	PineBridge Global Emerging Market High Yield Bond Fund	-	Financial assets at fair value through profit or loss	6,000	60,000	-	67,966	
	Allianz Global Investors Global Bond Fund	-	Financial assets at fair value through profit or loss	2,752	30,000	-	30,678	
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss	5,867	70,000	-	70,207	
	KGI Tumbler Fund	-	Financial assets at fair value through profit or loss	7,989	80,000	-	80,348	

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	September 30, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Taishin China Selected Small and Mid Cap Fund	-	Financial assets at fair value through profit or loss	800	\$ 8,000	-	\$ 8,448	
	Taishin Lucky Fund	-	Financial assets at fair value through profit or loss	4,694	50,000	-	50,008	
	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	15,611,656	100.00	15,611,656	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\$ 499,147	100.00	US\$ 499,147	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 210	100.00	US\$ 210	Note 2
Jet Ford, Inc.	<u>Share certificates</u> Aeolus Xiangfan Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 60,301	16.55	US\$ 57,501	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 337,317	40.00	US\$ 335,204	Note 2
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 68,615	25.00	US\$ 68,615	Note 2
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,523	49.00	US\$ 7,523	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,257	45.00	US\$ 7,257	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 914	49.00	US\$ 914	Note 2

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 unreviewed financial statements.

(Concluded)



## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

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

NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 200,279	\$ 200,000	\$ 279	-	\$ -
	Jih Sun Bond Fund	Financial assets at fair value through profit or loss	-	-	6,391	90,000	7,076	100,000	-	-	-	-	13,467	190,000
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	28,118	330,000	21,308	250,023	250,000	23	6,810	80,000
	FSITC Global High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	15,942	180,000	4,499	52,704	50,794	1,910	11,443	129,207
	Fuh-Hwa Global Bond Fund	Financial assets at fair value through profit or loss	-	-	10,135	140,000	14,459	200,000	-	-	-	-	24,594	340,000
	Capital Income Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,717	150,000	-	-	-	-	9,717	150,000
	PineBridge Global Multi - 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	4,225	44,138	41,794	2,344	13,669	135,206

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

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 16,953,462	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (928,571)	86	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	18,151,529	88	4 days after sales for parts 3 days after sales for vehicles	-	-	416,167	62	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	246,297	1	15 days after sales for parts	-	-	6,039	1	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon	Sale	229,324	1	15 days after sales for parts Immediate payment for vehicles	-	-	4,072	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	204,191	1	Same as above	-	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon	Sale	193,886	1	15 days after sales for parts 90 days after sales for vehicles	-	-	6,382	1	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon	Sale	157,333	1	15 days after sales for parts	-	-	-	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	150,732	1	15 days after sales for parts Immediate payment for vehicles	-	-	2,311	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	146,824	1	Same as above	-	-	-	-	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon	Sale	146,381	1	15 days after sales for parts	-	-	-	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon	Sale	143,232	-	Same as above	-	-	-	-	-
	Nissan Motor Egypt S.A.E.	Subsidiary of Nissan	Sale	122,168	-	30 days after sales for parts	-	-	29,755	4	-

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**

**SEPTEMBER 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	\$ 429,663	81.57	\$ -	-	\$ 429,663	\$ -
		Equity-method investee of Yulon	114,090	1.19	-	-	22,076	-

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

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

NINE MONTHS ENDED SEPTEMBER 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 September 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1 and 2)	Note
				September 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	\$15,611,656	\$ 2,195,948	\$ 2,195,948	-
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc.	British Virgin Islands	Investment	US\$ 57,171	US\$ 57,171	71,772	100.00	US\$499,147	US\$ 68,840	US\$ 68,840	-
	Yi Hsing Corporation	Philippines	Inquire of parts sales prices and commission-based business	US\$ 200	US\$ 200	1,100	100.00	US\$ 210	US\$ (10)	US\$ (10)	-
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\$ 60,301	US\$ 92,555	US\$ 15,016	-
	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\$337,317	US\$117,774	US\$ 46,070	-
	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\$ 68,615	US\$ 23,959	US\$ 5,990	-
	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\$ 7,523	US\$ (254)	US\$ (125)	-
	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\$ 7,257	US\$ (296)	US\$ (133)	-
	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\$ 914	US\$ 158	US\$ 77	-

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

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

## YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

## INVESTMENT IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 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 September 30, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of September 30, 2010	Accumulated Inward Remittance of Earnings as of September 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%	\$ 479,093 (US\$ 15,016)	\$ 1,885,017 (US\$ 60,301)	\$ -
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	8,969,950 (RMB2,200,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00%	1,469,922 (US\$ 46,070)	10,544,524 (US\$ 337,317)	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%	191,108 (US\$ 5,990)	2,144,892 (US\$ 68,615)	-
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%	(3,983) (US\$ -125)	235,168 (US\$ 7,523)	-
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%	(4,255) (US\$ -133)	226,846 (US\$ 7,257)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00%	2,472 (US\$ 77)	28,579 (US\$ 914)	-

Accumulated Investment in Mainland China as of September 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)	\$10,460,382

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

Note 2: Investment gains (losses) recognized were calculated from unreviewed 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.