

**Yulon Nissan Motor Company, Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 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 consolidated balance sheets of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years 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, Yulon Nissan Motor Company, Ltd. adopted the newly revised SFAS No. 10, "Accounting for Inventories."

February 24, 2011

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 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)	\$ 1,203,577	6	\$ 736,555	4	Notes and accounts payable	\$ 81,519	1	\$ 2,977	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	2,110,748	10	1,129,590	7	Notes and accounts payable - related parties (Note 19)	1,075,560	5	832,802	5
Notes and accounts receivable (Notes 2 and 6)	26,459	-	29,447	-	Income tax payable (Notes 2 and 15)	50,987	-	73,416	-
Notes and accounts receivable - related parties (Note 19)	322,653	2	395,393	2	Accrued expenses (Note 12)	486,587	2	312,453	2
Other financial assets (Note 7)	615,402	3	53,870	1	Other current liabilities (Note 19)	<u>96,356</u>	<u>1</u>	<u>67,740</u>	<u>-</u>
Inventories (Notes 2, 3 and 8)	1,016	-	894	-	Total current liabilities	<u>1,791,009</u>	<u>9</u>	<u>1,289,388</u>	<u>7</u>
Prepayment	4,566	-	2,918	-	OTHER LIABILITIES				
Deferred income tax assets, net (Notes 2 and 15)	98,095	-	8,205	-	Accrued pension liabilities (Notes 2 and 16)	449,586	2	424,452	2
Other current assets	<u>246</u>	<u>-</u>	<u>36,839</u>	<u>-</u>	Deferred tax liabilities, net (Notes 2 and 15)	1,230,387	6	667,526	4
Total current assets	<u>4,382,762</u>	<u>21</u>	<u>2,393,711</u>	<u>14</u>	Warranty (Note 2)	<u>107,154</u>	<u>-</u>	<u>70,099</u>	<u>1</u>
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>14,876,477</u>	<u>72</u>	<u>13,495,986</u>	<u>76</u>	Total other liabilities	<u>1,787,127</u>	<u>8</u>	<u>1,162,077</u>	<u>7</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 19)					Total liabilities	<u>3,578,136</u>	<u>17</u>	<u>2,451,465</u>	<u>14</u>
Cost					STOCKHOLDERS' EQUITY				
Machinery and equipment	21,135	-	21,863	-	Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued - 300,000 thousand shares	<u>3,000,000</u>	<u>15</u>	<u>3,000,000</u>	<u>17</u>
Transportation equipment	4,290	-	4,290	-	Capital surplus				
Tools	5,694	-	5,566	-	Excess from spin-off	5,986,507	29	5,986,507	34
Computer equipment	79,608	1	80,194	1	Gains on long-term investments	<u>2,461</u>	<u>-</u>	<u>2,461</u>	<u>-</u>
Other equipment	76,930	-	74,789	-	Total capital surplus	<u>5,988,968</u>	<u>29</u>	<u>5,988,968</u>	<u>34</u>
Leasehold improvement	<u>4,559</u>	<u>-</u>	<u>3,474</u>	<u>-</u>	Retained earnings				
Total cost	192,216	1	190,176	1	Legal reserve	1,093,293	5	1,028,005	6
Less accumulated depreciation	<u>154,175</u>	<u>1</u>	<u>142,701</u>	<u>1</u>	Special reserve	379,840	2	379,840	2
	38,041	-	47,475	-	Unappropriated earnings	<u>6,485,664</u>	<u>31</u>	<u>3,667,054</u>	<u>20</u>
Prepayments for equipment	<u>2,799</u>	<u>-</u>	<u>2,065</u>	<u>-</u>	Total retained earnings	<u>7,958,797</u>	<u>38</u>	<u>5,074,899</u>	<u>28</u>
Property, plant and equipment, net	<u>40,840</u>	<u>-</u>	<u>49,540</u>	<u>-</u>	Cumulative translation adjustments	<u>217,579</u>	<u>1</u>	<u>1,206,273</u>	<u>7</u>
OTHER ASSETS					Total stockholders' equity	<u>17,165,344</u>	<u>83</u>	<u>15,270,140</u>	<u>86</u>
Refundable deposits (Note 19)	2,734	-	7,416	-	TOTAL	<u>\$ 20,743,480</u>	<u>100</u>	<u>\$ 17,721,605</u>	<u>100</u>
Deferred charges (Notes 2, 11 and 19)	<u>1,440,667</u>	<u>7</u>	<u>1,774,952</u>	<u>10</u>					
Total other assets	<u>1,443,401</u>	<u>7</u>	<u>1,782,368</u>	<u>10</u>					
TOTAL	<u>\$ 20,743,480</u>	<u>100</u>	<u>\$ 17,721,605</u>	<u>100</u>					

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

(With Deloitte & Touche audit report dated February 24, 2011)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
SALES (Note 19)	\$ 27,464,636	100	\$ 21,694,100	100
LESS: SALES RETURNS	4,978	-	7,802	-
SALES ALLOWANCE	<u>3,962</u>	<u>-</u>	<u>11,570</u>	<u>-</u>
NET SALES	27,455,696	100	21,674,728	100
COST OF SALES (Note 19)	<u>23,671,057</u>	<u>86</u>	<u>19,807,203</u>	<u>92</u>
GROSS PROFIT	<u>3,784,639</u>	<u>14</u>	<u>1,867,525</u>	<u>8</u>
OPERATING EXPENSES (Note 19)				
Marketing and selling	2,351,806	9	1,941,414	9
General and administrative	400,253	1	273,358	1
Research and development	<u>528,026</u>	<u>2</u>	<u>465,137</u>	<u>2</u>
Total operating expenses	<u>3,280,085</u>	<u>12</u>	<u>2,679,909</u>	<u>12</u>
OPERATING GAIN (LOSS)	<u>504,554</u>	<u>2</u>	<u>(812,384)</u>	<u>(4)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	2,775,483	10	2,327,721	11
Foreign exchange gain, net	65,250	-	90,036	1
Gain on sale of investments, net	25,380	-	4,553	-
Gain from valuation of financial assets	14,838	-	2,605	-
Interest income	2,456	-	2,426	-
Gain on disposal of idle assets (Note 19)	-	-	3,050	-
Others (Note 19)	<u>39,746</u>	<u>-</u>	<u>20,468</u>	<u>-</u>
Total nonoperating income and gains	<u>2,923,153</u>	<u>10</u>	<u>2,450,859</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 19)	61,924	-	49,329	-
Interest expense (Note 19)	1,262	-	2,984	-
Losses on disposal of property, plant and equipment (Note 19)	603	-	6,904	-
Impairment loss (Notes 10 and 11)	-	-	963,472	5
Others (Note 19)	<u>19,671</u>	<u>-</u>	<u>35,076</u>	<u>-</u>
Total nonoperating expenses and losses	<u>83,460</u>	<u>-</u>	<u>1,057,765</u>	<u>5</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 3,344,247	12	\$ 580,710	3
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 15)	<u>(460,349)</u>	<u>(2)</u>	<u>72,168</u>	<u>-</u>
NET INCOME	<u>\$ 2,883,898</u>	<u>10</u>	<u>\$ 652,878</u>	<u>3</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 11.15</u>	<u>\$ 9.61</u>	<u>\$ 1.94</u>	<u>\$ 2.18</u>
Diluted	<u>\$ 11.13</u>	<u>\$ 9.60</u>	<u>\$ 1.93</u>	<u>\$ 2.17</u>

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

(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus (Notes 2 and 13)			Retained Earnings (Notes 2 and 13)				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, 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 in 2009	-	-	-	-	-	-	-	652,878	652,878	-	652,878
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(468,587)	(468,587)
BALANCE, DECEMBER 31, 2009	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 in 2010	-	-	-	-	-	-	-	2,883,898	2,883,898	-	2,883,898
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(988,694)	(988,694)
BALANCE, DECEMBER 31, 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>\$ 6,485,664</u>	<u>\$ 7,958,797</u>	<u>\$ 217,579</u>	<u>\$ 17,165,344</u>

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

(With Deloitte & Touche audit report dated February 24, 2011)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,883,898	\$ 652,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	591,736	887,668
Impairment loss	-	963,472
Gain on sale of investments, net	(25,380)	(4,553)
Equity in net income of investees	(2,775,483)	(2,327,721)
Cash dividends from equity-method investees	518,909	786,239
Realized exchange gain of foreign-currency cash dividends	(62,185)	(95,134)
Gain from valuation of financial assets	(14,838)	(2,605)
Loss on disposal of property, plant and equipment, net	603	6,825
Gain on disposal of idle assets	-	(3,050)
Deferred income taxes	472,969	(92,017)
Provision for pension costs	25,134	24,125
Loss on inventory purchase commitment	30,028	3,154
Provision for warranty liabilities	37,055	147
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(940,940)	(1,122,432)
Notes and accounts receivable	2,988	(519)
Notes and accounts receivable - related parties	72,740	184,173
Other financial assets	(561,532)	8,072
Inventories	(122)	(894)
Prepayments	(1,648)	22,596
Other current assets	36,593	35,100
Notes and accounts payable	78,542	(41,409)
Notes and accounts payable - related parties	242,758	177,663
Income tax payable	(22,429)	(13,850)
Accrued expenses	174,134	(10,605)
Other current liabilities	(1,412)	(11,916)
Net cash provided by operating activities	<u>762,118</u>	<u>25,407</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(8,847)	(13,890)
Decrease (increase) in refundable deposits	4,682	(1,496)
Increase in deferred charges	(240,507)	(398,701)
Proceeds from disposal of property, plant and equipment	-	3,143
Proceeds from disposal of idle assets	-	21,629
Net cash used in investing activities	<u>(244,672)</u>	<u>(389,315)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	<u>(50,424)</u>	<u>6,725</u>

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 467,022	\$ (357,183)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>736,555</u>	<u>1,093,738</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,203,577</u>	<u>\$ 736,555</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 1,256</u>	<u>\$ 2,984</u>
Income tax	<u>\$ 9,845</u>	<u>\$ 33,699</u>

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

(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

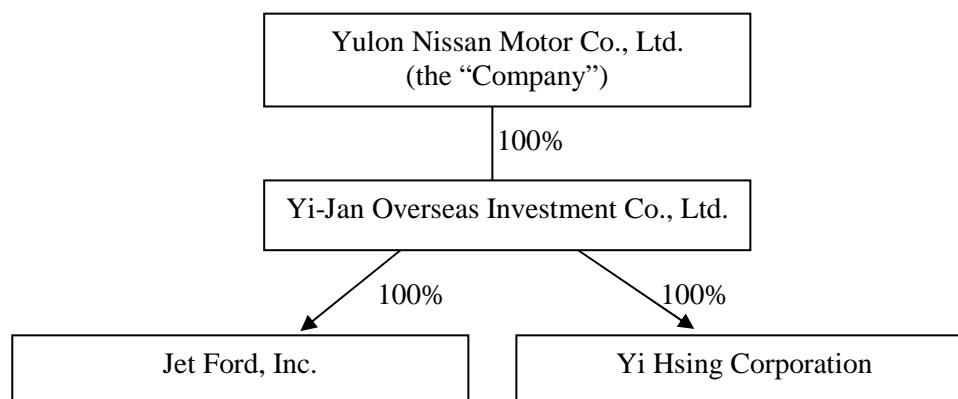
Yulon Nissan Motor Company, Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in November 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October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

Yi-Jan Overseas Investment Co., Ltd. (“Yi-Jan,” formerly Yu Fa Investment Co., Ltd.) was incorporated by Yulon in Cayman Islands on November 17, 1999, and all funds for Yi-Jan’s establishment were fully collected on March 16, 2000. Yi-Jan is primarily an investment holding company. In October 2003, Yulon reorganized its overseas investments and transferred all its equity in Yu Fa Investment Co., Ltd. to the Company. Yu Fa Investment Co., Ltd. was renamed to Yulon Nissan Overseas Investment Co., Ltd. In October 2004, Yulon Nissan Overseas Investment Co., Ltd. again changed its name to Yi-Jan Overseas Investment Co., Ltd. for the purpose of aligning its business with its overseas operations.

Jet Ford, Inc. (formerly Yu Hua Investment Co., Ltd.) was incorporated in the British Virgin Islands on January 12, 1994 and increased its capital in 2000. Jet Ford, Inc. is primarily an investment holding company. In October 2003, Yulon reorganized its overseas investments and transferred all its equity in Yu Hua Investment Co., Ltd. to Yulon Nissan Overseas Investment Co., Ltd. (now known as Yi-Jan Overseas Investment Co., Ltd.). Yu Hua Investment Co., Ltd. was renamed to Yulon Nissan Mainland Investment Co., Ltd. In 2004, Yulon Nissan Mainland Investment Co., Ltd. again changed its name to Jet Ford, Inc. for the purpose of aligning its business with its overseas operations.

Yi Hsing Corporation was incorporated by Yi-Jan Overseas Investment Co., Ltd. in the Republic of the Philippines in May 2004. Yi Hsing Corporation inquires selling prices of motor parts and engages in commission-based businesses.

As of December 31, 2010, the investment relationship between the Company and its subsidiaries and percentages of ownership were as follows:



As of December 31, 2010 and 2009, the Company and subsidiaries employed 410 and 419 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared 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, and accounting principles generally accepted in the Republic of China (ROC). In preparing consolidated 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, inventory devaluation, property depreciation, deferred charges amortization, warranty, pension, and bonuses to employees. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated 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 and its subsidiaries' significant accounting policies are summarized as follows:

Basis of Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but over which the Company has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Yi-Jan Overseas Investment Co., Ltd., Jet Ford, Inc., and Yi Hsing Corporation, hereinafter referred to collectively as the "Group."

The accounts of consolidated foreign subsidiaries are maintained in, and their separate financial statements are prepared using, U.S. dollars or Philippine pesos. For consolidation purposes, these financial statements are translated into New Taiwan dollars, using the following foreign exchange rates: (a) assets and liabilities - prevailing exchange rates on the balance sheet dates, (b) stockholders' equity - historical rates, and (c) profit and loss accounts - weighted average rates of the year.

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 noncurrent 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 Group becomes contractual in a financial instrument arrangement, the financial instruments are eligible for classification as assets or liabilities. Financial asset is derecognized when the Group 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 Group 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 Group 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 market 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 Group'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 or its subsidiary does not purchase the additional stocks, the Company or its subsidiary 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 or expenses.

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

Deferred Charges

Deferred charges are amortized as follows: (a) costs of molds and development costs for new model and dies are amortized on the basis of production volume; and (b) other deferred charges are amortized 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 Group 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 Group 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 year's tax expense.

According to the Income Tax Law, and 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. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2009, the Group 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>December 31</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Cash on hand	\$ 20	\$ 1
Checking accounts and demand deposits	619,214	703,339
Time deposits, annual yield rate - 2010: 0.10%-2.20%; 2009: 0.10%-3.015%	<u>572,555</u>	<u>33,215</u>
	1,191,789	736,555
Cash equivalents		
Commercial papers, annual yield rate - 2010: 1.50%	<u>11,788</u>	<u>-</u>
	<u>\$ 1,203,577</u>	<u>\$ 736,555</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Financial assets held for trading		
Mutual funds	<u>\$ 2,110,748</u>	<u>\$ 1,129,590</u>

Net gain of financial assets held for trading in 2010 and 2009 was \$40,218 thousand and \$7,158 thousand, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 256	\$ 662
Accounts receivable	<u>26,203</u>	<u>28,785</u>
	<u>\$ 26,459</u>	<u>\$ 29,447</u>

7. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Receivable of sale of securities	\$ 576,039	\$ 9,728
Tax refund receivable	33,339	37,041
Lease receivable	181	4,192
Interest receivable	1,535	4
Others	<u>4,308</u>	<u>2,905</u>
	<u>\$ 615,402</u>	<u>\$ 53,870</u>

8. INVENTORIES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Parts	<u>\$ 1,016</u>	<u>\$ 894</u>

The cost of inventories recognized as cost of sales in 2010 was \$23,671,057 thousand, which included warranty cost of \$114,932 thousand and loss on inventory purchase commitment of \$30,028 thousand. The cost of inventories recognized as cost of sales in 2009 was \$19,807,203 thousand, which included warranty cost of \$81,777 thousand and loss on inventory purchase commitment of \$3,154 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
Guangzhou Aeolus Automobile Co., Ltd.	\$ 10,370,382	40.00	\$ 9,625,485	40.00
Aeolus Automobile Co., Ltd.	2,095,201	25.00	1,960,259	25.00
Aeolus Xiangfan Automobile Co., Ltd.	1,904,817	16.55	1,411,680	16.55
Dong Feng Yulon Motors Sales Co., Ltd.	226,908	49.00	239,855	49.00
Shenzhen Lan You Technology Co., Ltd.	251,504	45.00	231,776	45.00
Dong Feng Yulon Used Cars Co., Ltd.	<u>27,665</u>	49.00	<u>26,931</u>	49.00
	<u>\$ 14,876,477</u>		<u>\$ 13,495,986</u>	

The carrying values of the long-term investments accounted for by the equity method as of December 31, 2010 and 2009, and the related investment income for the years then ended were based on the investees' audited financial statements.

The Group indirectly owns the following companies:

Investee	Percentage of Ownership	Accumulated Investment Amount (In Thousands) as of December 31, 2010
Aeolus Xiangfan Automobile Co., Ltd.	16.55	US\$ 21,700
Guangzhou Aeolus Automobile Co., Ltd.	40.00	16,941
Aeolus Automobile Co., Ltd.	25.00	10,890
Dong Feng Yulon Motors Sales Co., Ltd.	49.00	5,922
Shenzhen Lan You Technology Co., Ltd.	45.00	1,125
Dong Feng Yulon Used Cars Co., Ltd.	49.00	<u>593</u>
		<u>US\$ 57,171</u>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2010	2009
Accumulated depreciation		
Machinery and equipment	\$ 16,560	\$ 16,454
Transportation equipment	3,792	3,497
Tools	3,801	3,166
Computer equipment	64,629	59,240
Other equipment	63,399	59,618
Leasehold improvement	<u>1,994</u>	<u>726</u>
	<u>\$ 154,175</u>	<u>\$ 142,701</u>

Depreciation of property, plant and equipment amounted to \$16,944 thousand in 2010 and \$26,324 thousand in 2009.

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 in 2009. As of December 31, 2009, all of the idle assets have been sold.

11. DEFERRED CHARGES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Costs of molds	\$ 1,146,798	\$ 1,361,440
Dies	277,769	389,547
Computer software	<u>16,100</u>	<u>23,965</u>
	<u>\$ 1,440,667</u>	<u>\$ 1,774,952</u>

Amortization of deferred charges amounted to \$574,792 thousand and \$857,815 thousand in 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 year ended December 31, 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 year ended December 31, 2009. As of December 31, 2009, all of the idle assets have been sold.

12. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Wages and bonuses	\$ 261,884	\$ 107,762
Promotion expenses	122,464	108,249
Others	<u>102,239</u>	<u>96,442</u>
	<u>\$ 486,587</u>	<u>\$ 312,453</u>

13. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

Under the ROC Company Law, capital surplus can only used 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 provide 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 of Company's financial ratios. Thus, cash dividends should be at least 20% of total dividends to be distributed to the stockholders.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2010 was calculated at 2.50% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2009 was calculated at 2.60% of net income net of the 10% deduction for legal reserve.

If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under the Company Law, 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.

As of February 24, 2011, the date of the accompanying independent auditors' report, the appropriations and distributions of the 2010 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2010 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.

The appropriations of the 2009 and 2008 earnings of the Company approved in the shareholders' meetings on June 21, 2010 and June 22, 2009, respectively. The appropriations and dividends per share 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.

The appropriation of earning is approved by the stockholders in the following year and given effect to in the financial statements of that year.

14. TECHNICAL COOPERATION AGREEMENT

The Company had a technical cooperation agreement (the "TCA") with Nissan. The TCA required the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$406,663 thousand in 2010 and \$351,823 thousand in 2009, were recorded under cost of sales.

15. INCOME TAX

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

	2010	2009
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 568,360	\$ 145,030
Add (deduct) tax effects of:		
Permanent differences	4,664	14,295
Temporary differences	(515,291)	(95,590)
Loss carryforwards used	(57,722)	-
Tax-exempt income	-	(553,131)
Loss carryforwards	<u>-</u>	<u>81,695</u>
	11	-
Additional tax on retained earnings (10%)	58,759	45,389
Investment tax credits	(58,759)	(22,695)
Basic income tax	<u>-</u>	<u>7</u>
Income tax payable	<u>\$ 11</u>	<u>\$ 22,701</u>

The balance of the income tax payable shown on the balance sheet as of December 31, 2010 and 2009 was net of prepaid income tax and added to income tax payable of previous years.

Income tax returns through 2008 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.

According to article 71-1 of Statute for Upgrading Industries of the Republic of China, companies establish operation headquarters within the territory of the Republic of China reaching a specific size and bringing about significant economic benefit shall be exempted from profit-seeking enterprise income tax on their investment income from overseas related enterprises. The tax exemption is calculated under Regulations for Providing Tax Incentives to Operation Headquarters of Enterprises of the Republic of China and companies have to apply to Industrial Development Bureau, Ministry of Economic Affairs of the Republic of China for headquarters' scope of operation certificate. The Company obtained headquarters' scope of operation certificate issued by Industrial Development Bureau, Ministry of Economic Affairs of the Republic of China on January 6, 2010.

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

	2010	2009
Income tax payable	\$ 11	\$ 22,701
Deferred income tax	472,969	(92,017)
Prior year's income tax adjustments	<u>(12,631)</u>	<u>(2,852)</u>
Income tax expense (benefit)	<u>\$ 460,349</u>	<u>\$ (72,168)</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 follows:

	December 31	
	2010	2009
Current		
Investment tax credits	\$ 45,093	\$
Loss carryforwards	39,009	217
Loss on inventory purchase commitment	11,229	7,205
Unrealized foreign exchange loss	<u>3,015</u>	<u>1,000</u>
	98,346	8,422
Less: Valuation allowances	<u>251</u>	<u>217</u>
Deferred income tax assets	<u>\$ 98,095</u>	<u>\$ 8,205</u>
Noncurrent		
Provision for pension	\$ 76,401	\$ 84,915
Impairment loss difference between taxable loss and book loss	70,515	112,249
Provision for warranty	18,216	14,020
Investment tax credits	1,001	130,609
Loss carryforwards	<u>178</u>	<u>142,648</u>
	166,311	484,441
Less: Valuation allowances	<u>178</u>	<u>310</u>
	166,133	484,131
Equity in net income of overseas subsidiaries	<u>(1,396,520)</u>	<u>(1,151,657)</u>
Net deferred income tax liabilities	<u>\$ (1,230,387)</u>	<u>\$ (667,526)</u>

As of December 31, 2010, investment tax credits comprised of:

Tax Credit Item	Total Creditable Amount	Unused Creditable Amount	Expiry Year
Investment in area with scanty natural resource	\$ 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 December 31, 2010, the amount of the investment under the plans totaled \$10,010 thousand, with investment tax credit amount of \$1,001 thousand.

As of December 31, 2010, the Company had tax credits resulting from loss carryforwards. The tax credits and their expiry years were as follows:

Credit Item	Total Income Tax Credit Amount	Unused Income Tax Credit Amount	Year of Expiration
Loss carryforwards	\$ 39,667	\$ 38,758	2019

As of December 31, 2010, Yi Hsing Corporation had tax credits resulting from prior years' loss carryforwards. The tax credits and their expiry years were as follows:

Regulatory Basis of Tax Credits	Credit Item	Total Income Tax Credit Amount	Unused Income Tax Credit Amount	Year of Expiration
Income Tax Law	Prior year's loss carryforwards	\$ 251	\$ 251	2011
Income Tax Law	Prior year's loss carryforwards	178	178	2012

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

	December 31	
	2010	2009
Balance of imputation credit account ("ICA")	<u>\$ 415,003</u>	<u>\$ 412,690</u>

The Company estimated ICA rate for the 2010 earnings as of December 31, 2010 and the actual ICA rate for the 2009 earnings were 6.40% and 11.52%, respectively.

The credit available for allocation to the Company stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2010 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

e. Under the laws of the Cayman Islands and the British Virgin Islands, Yi-Jan Overseas Investment Co., Ltd. and Jet Ford Inc., respectively, are tax exempt.

16. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan was \$10,094 thousand and \$9,609 thousand in 2010 and 2009, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,823 thousand and \$1,532 thousand as of December 31, 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.

As of December 31, 2010, subsidiaries of the Company had no pension plan for employees.

The status of the defined benefit pension plan as of and for the years ended December 31, 2010 and 2009 is summarized as follows:

- a. Net pension cost was as follows:

	2010	2009
Service cost	\$ 11,296	\$ 12,647
Interest cost	10,029	11,016
Expected return of pension assets	(208)	(430)
Amortization	<u>12,004</u>	<u>12,004</u>
Net pension cost	<u>\$ 33,121</u>	<u>\$ 35,237</u>

- b. The reconciliation between the fund status and pension liabilities is summarized as follows:

	December 31	
	2010	2009
Benefit obligations:		
Vested benefit obligation	\$ 206,465	\$ 186,468
Non-vested benefit obligation	<u>198,352</u>	<u>202,859</u>
Accumulated benefit obligation	404,817	389,327
Additional benefits based on future salaries	<u>143,743</u>	<u>112,122</u>
Projected benefit obligation	548,560	501,449
Fair value of plan assets	<u>(2,352)</u>	<u>(7,496)</u>
Funded status	546,208	493,953
Prior service cost	(22,416)	(24,920)
Benefit obligations:		
Unrecognized net transition obligation	(42,021)	(51,521)
Unrecognized net loss	<u>(34,008)</u>	<u>5,408</u>
Accrued pension liability	<u>\$ 447,763</u>	<u>\$ 422,920</u>

	December 31	
	2010	2009
c. Vested benefits	<u>\$ 273,966</u>	<u>\$ 249,516</u>
d. Actuarial assumptions		
Discount rate	2.00%	2.00%
Rate of salary increase	2.50%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
e. Contributions and payments		
	2010	2009
Contributions	<u>\$ 8,278</u>	<u>\$ 10,931</u>
Payments	<u>\$ 13,536</u>	<u>\$ 17,046</u>

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2010		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 982	\$ 517,240	\$ 518,222
Labor and health insurance	-	25,659	25,659
Pension	-	41,035	41,035
Other personnel expenses	<u>-</u>	<u>22,609</u>	<u>22,609</u>
	<u>\$ 982</u>	<u>\$ 606,543</u>	<u>\$ 607,525</u>
Depreciation	<u>\$ 1,558</u>	<u>\$ 15,386</u>	<u>\$ 16,944</u>
Amortization	<u>\$ 564,226</u>	<u>\$ 10,566</u>	<u>\$ 574,792</u>
	2009		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 3,747	\$ 362,371	\$ 366,118
Labor and health insurance	200	26,053	26,253
Pension	363	42,529	42,892
Other personnel expenses	<u>163</u>	<u>20,779</u>	<u>20,942</u>
	<u>\$ 4,473</u>	<u>\$ 451,732</u>	<u>\$ 456,205</u>
Depreciation	<u>\$ 724</u>	<u>\$ 25,600</u>	<u>\$ 26,324</u>
Amortization	<u>\$ 831,137</u>	<u>\$ 26,678</u>	<u>\$ 857,815</u>

18. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Shares (Denomi- nator) (Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2010</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 3,344,247	\$ 2,883,898	300,000	<u>\$ 11.15</u>	<u>\$ 9.61</u>
Effect of dilutive potential common Stock Bonus to employees	<u>-</u>	<u>-</u>	<u>353</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 3,344,247</u>	<u>\$ 2,883,898</u>	<u>300,353</u>	<u>\$ 11.13</u>	<u>\$ 9.60</u>
<u>2009</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 580,710	\$ 652,878	300,000	<u>\$ 1.94</u>	<u>\$ 2.18</u>
Effect of dilutive potential common Stock Bonus to employees	<u>-</u>	<u>-</u>	<u>196</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 580,710</u>	<u>\$ 652,878</u>	<u>300,196</u>	<u>\$ 1.93</u>	<u>\$ 2.17</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.

19. RELATED-PARTY TRANSACTIONS

The Group 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
Allied Engineering Co., Ltd.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	Equity-method investee of Nissan
Dongfeng Yi Jin Co., Ltd.	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
Sinboum Travel Service Co., Ltd.	Same as above
Uni Calsonic Corporation	Equity-method investee of Yulon
China Ogihara Corporation	Same as above

(Continued)

Related Party	Relationship with the Company
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., Ltd.	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
Hsieh Kuan Manpower Service Co., Ltd.	Equity-method investee of Ka-Plus Automobile Leasing 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:

	2010		2009	
	Amount	% to Total	Amount	% to Total
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 24,031,493	88	\$ 18,027,876	84
Yu Chang Motor Co., Ltd.	322,467	1	285,187	1
Yuan Lon Motor Co., Ltd.	310,863	1	287,010	1
Yu Sing Motor Co., Ltd.	268,671	1	308,681	2
Chi Ho Corporation	249,653	1	372,088	2
Chen Long Co., Ltd.	208,282	1	231,419	1
Empower Motor Co., Ltd.	201,575	1	204,081	1
Hui-Lian Motor Co. Ltd.	194,106	1	183,074	1

(Continued)

	2010		2009	
	Amount	% to Total	Amount	% to Total
Yushin Motor Co., Ltd.	\$ 192,841	1	\$ 188,238	1
Yu Tang Motor Co., Ltd.	191,514	-	194,642	1
Nissan Motor Egypt S.A.E.	187,587	-	84,696	-
NMPI	94,752	-	79,984	-
Sin Etke Technology Co., Ltd.	47,272	-	54,222	-
Others	<u>429,955</u>	<u>2</u>	<u>415,998</u>	<u>2</u>
	<u>\$ 26,931,031</u>	<u>98</u>	<u>\$ 20,917,196</u>	<u>97</u>

(Concluded)

	2010		2009	
	Amount	% to Total	Amount	% to Total
2) Operating revenue - service revenue				
Nissan	<u>\$ 15,805</u>	<u>100</u>	<u>\$ 150,357</u>	<u>100</u>

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

	2010		2009	
	Amount	% to Total	Amount	% to Total
3) Operating revenue - other				
Yulon	\$ 23,631	43	\$ 21,019	81
Zhengzhou Nissan Automobile Co., Ltd.	20,557	38	1,126	4
Hua-Chuang Automobile Information Technical Center Co., Ltd.	5,531	10	-	-
Yu Pool Co., Ltd.	-	-	2,182	8
Others	<u>1,016</u>	<u>2</u>	<u>911</u>	<u>4</u>
	<u>\$ 50,735</u>	<u>93</u>	<u>\$ 25,238</u>	<u>97</u>

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

	2010		2009	
	Amount	% to Total	Amount	% to Total
4) Operating cost - purchase				
Yulon	\$ 22,425,521	99	\$ 18,499,070	99
Others	<u>72,741</u>	<u>-</u>	<u>17,758</u>	<u>-</u>
	<u>\$ 22,498,262</u>	<u>99</u>	<u>\$ 18,516,828</u>	<u>99</u>

	2010		2009	
	Amount	% to Total	Amount	% to Total
5) Operating cost - Technical Cooperation Agreement (“TCA”)				
Nissan	\$ 406,663	100	\$ 351,823	100
6) Operating expenses - rental				
Yulon	\$ 20,959	36	\$ 31,129	41
Ka-Plus Automobile Leasing Co., Ltd.	8,515	15	8,981	12
Sin Etke Technology Co., Ltd.	2,916	5	-	-
Hsieh Kuan Manpower Service Co., Ltd.	860	1	3,262	4
Tang Li Enterprise Co., Ltd.	805	1	-	-
Taiwan Acceptance Corporation	-	-	2,691	4
Others	756	-	981	1
	<u>\$ 34,811</u>	<u>58</u>	<u>\$ 47,044</u>	<u>62</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 service for its executives and charges the payment monthly.

	2010		2009	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 216,037	9	\$ 218,884	11
Yu Chang Motor Co., Ltd.	214,759	9	155,410	8
Yu Sing Motor Co., Ltd.	209,255	9	177,189	9
Yuan Lon Motor Co., Ltd.	178,211	8	137,696	7
Yushin Motor Co., Ltd.	133,173	6	108,458	6
Hui-Lian Motor Co., Ltd.	129,425	6	92,390	5
Empower Motor Co., Ltd.	127,712	5	123,158	6
Chen Long Co., Ltd.	113,640	5	115,382	6
Chi Ho Corporation	109,401	5	85,014	4
Yu Tang Motor Co., Ltd.	102,449	4	90,959	5
Others	152,152	6	159,939	8
	<u>\$ 1,686,214</u>	<u>72</u>	<u>\$ 1,464,479</u>	<u>75</u>

	2010		2009	
	Amount	% to Total	Amount	% to Total
8) Operating expenses - general and administrative expense				
Yulon Management Co., Ltd.	\$ 172,950	44	\$ 43,000	16
Sinboun Travel Service Co., Ltd.	5,746	1	3,985	1
Yulon	3,480	1	8,431	3
Hsieh Kuan Manpower Service Co., Ltd.	3,364	1	-	-
Tokio Marine Newa Insurance Co., Ltd.	2,422	-	2,849	1
Others	<u>7,472</u>	<u>2</u>	<u>9,773</u>	<u>4</u>
	<u>\$ 195,434</u>	<u>49</u>	<u>\$ 68,038</u>	<u>25</u>

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

	2010		2009	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - research and development expense				
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 45,000	9	\$ -	-
Hsiang Shou Enterprise Co., Ltd.	23,888	5	24,989	5
Yulon	6,632	1	22,698	5
Others	<u>1,672</u>	<u>-</u>	<u>3,524</u>	<u>1</u>
	<u>\$ 77,192</u>	<u>15</u>	<u>\$ 51,211</u>	<u>11</u>

The Company paid Hua-Chuang Automobile Information Technical Center Co., Ltd. for design expenses of new automobile model. The Company paid Hsiang Shou Enterprise Co., Ltd. research and development expenses for TOBE System. The Company also paid for sample products and trial fee to Yulon.

	2010		2009	
	Amount	% to Total	Amount	% to Total
10) Nonoperating income - others				
Tokio Marine Newa Insurance Co., Ltd.	\$ 5,186	13	\$ 6,274	31
Hua-Chuang Automobile Information Technical Center Co., Ltd.	1,563	4	-	-
Yuan Lon Motor Co., Ltd.	1,250	3	234	1
Yu Tang Motor Co., Ltd.	1,218	3	248	1
Others	<u>5,027</u>	<u>13</u>	<u>1,295</u>	<u>7</u>
	<u>\$ 14,244</u>	<u>36</u>	<u>\$ 8,051</u>	<u>40</u>

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
11) Nonoperating expenses and losses - overseas business expense				
Yulon Management Co., Ltd.	\$ 12,750	21	\$ -	-
Sinjang Co., Ltd.	8,210	13	6,268	13
Visionary International Consulting Co., Ltd.	2,652	4	-	-
Yulon	-	-	11,994	24
Others	<u>4,402</u>	<u>7</u>	<u>1,913</u>	<u>4</u>
	<u>\$ 28,014</u>	<u>45</u>	<u>\$ 20,175</u>	<u>41</u>
12) Nonoperating expenses and losses - others				
Yulon	<u>\$ 838</u>	<u>1</u>	<u>\$ 9,428</u>	<u>27</u>
	December 31			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
13) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 125,763	39	\$ 163,731	41
NMPI	57,223	18	56,005	14
Nissan Motor Egypt S.A.E.	37,109	11	23,957	6
Sin Etke Technology Co., Ltd.	15,259	5	22,079	6
Others	<u>87,299</u>	<u>27</u>	<u>129,621</u>	<u>33</u>
	<u>\$ 322,653</u>	<u>100</u>	<u>\$ 395,393</u>	<u>100</u>
14) Refundable deposits				
NMPI	<u>\$ 54</u>	<u>2</u>	<u>\$ 56</u>	<u>1</u>
15) Notes and accounts payable - related parties				
Yulon	\$ 608,828	57	\$ 504,342	61
Nissan	108,686	10	107,365	13
Yueki Industrial Co., Ltd.	62,025	6	3,783	-
Taiwan Acceptance Corporation	61,043	5	83,127	10
Others	<u>234,978</u>	<u>22</u>	<u>134,185</u>	<u>16</u>
	<u>\$ 1,075,560</u>	<u>100</u>	<u>\$ 832,802</u>	<u>100</u>
16) Sales revenue received in advance (recorded under other current liabilities)				
Zhengzhou Nissan Automobile Co., Ltd.	<u>\$ -</u>	<u>-</u>	<u>\$ 2,584</u>	<u>4</u>

- 17) The Company sold to Taiwan Acceptance Corporation accounts receivable which amounted to \$1,960,585 thousand and \$1,875,493 thousand in 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's interest expenses recognized to Taiwan Acceptance Corporation arising from selling accounts receivable were \$1,130 thousand and \$1,062 thousand in 2010 and 2009, respectively.
- 18) The Company bought tools of \$997 thousand from Nissan Taiwan, Ltd. and bought other equipments of \$221 thousand from Singual Technology Co., Ltd. in 2009. The tools and other equipments were recorded under property, plant and equipment.
- 19) Related-party sales of property, plant and equipment are summarized as follows:

	Amount	Carrying Value	Gain (Loss) on Disposal
<u>Year ended December 31, 2009</u>			
Yushin Motor Co., Ltd.	\$ 2,338	\$ 6,201	\$ (3,863)
Yuan Lon Motor Co., Ltd.	772	699	73
Yueki Industrial Co., Ltd.	<u>33</u>	<u>32</u>	<u>1</u>
	<u>\$ 3,143</u>	<u>\$ 6,932</u>	<u>\$ (3,789)</u>

- 20) Related parties' sales of idle assets are summarized as follows:

	Amount	Carrying Value	Gain on Disposal
<u>Year ended December 31, 2009</u>			
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 18,748	\$ 16,077	\$ 2,671
Yulon	<u>2,881</u>	<u>2,502</u>	<u>379</u>
	<u>\$ 21,629</u>	<u>\$ 18,579</u>	<u>\$ 3,050</u>

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

	2010	2009
Yueki Industrial Co., Ltd.	\$ 77,715	\$ 19,936
Uni Auto Parts Co., Ltd.	36,602	15,542
Yulon	22,470	-
Y-teks, Co.	20,002	39,745
China Ogihara Corporation	11,568	15,458
Chien Tai Industry Co., Ltd.	6,265	15,976
Taiwan Calsonic Co., Ltd.	-	26,835
Dongfeng Nissan Passenger Vehicle Co.	-	72,164
Others	<u>27,292</u>	<u>19,078</u>
	<u>\$ 201,914</u>	<u>\$ 224,734</u>

22) Compensation of directors, supervisors and management personnel:

	2010	2009
Salaries	\$ 30,745	\$ 29,059
Incentives	6,716	3,571
Bonuses	<u>1,426</u>	<u>326</u>
	<u>\$ 38,887</u>	<u>\$ 32,956</u>

20. SIGNIFICANT COMMITMENTS

As of December 31, 2010, the Company and subsidiaries have significant commitments and contingencies 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 December 31, 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 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 December 31, 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)
2011	\$ 2,508
2012	2,508
2013	2,508
2014	2,508
2015 and after	6,479

- d. Yi Hsing Corporation leases building for office from NMPI. According to the lease contract, the rentals for the succeeding year are as follows:

Year	Rental (Thousands)
2011	\$ 596

- e. The Company had commitment to buy computer equipment for \$120 thousand and other equipment for \$2,300 thousand.

21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash and cash equivalents	\$ 1,203,577	\$ 1,203,577	\$ 736,555	\$ 736,555
Financial assets at fair value through profit or loss	2,110,748	2,110,748	1,129,590	1,129,590
Notes and accounts receivable	26,459	26,459	29,447	29,447
Notes and accounts receivable - related parties	322,653	322,653	395,393	395,393
Other financial assets	615,402	615,402	53,870	53,870
Long-term equity investments	14,876,477	14,745,442	13,495,986	13,297,728
Refundable deposits	2,734	2,734	7,416	7,416
Liabilities:				
Notes and accounts payable	81,519	81,519	2,977	2,977
Notes and accounts payable - related parties	1,075,560	1,075,560	832,802	832,802
Income tax payable	50,987	50,987	73,416	73,416
Accrued expenses	486,587	486,587	312,453	312,453
Accrued pension liabilities	449,586	449,586	424,452	424,452

- b. The Group 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 are estimated at market quotations.
- 3) Fair value of long-term equity investments is based on net asset value of the investment.

- c. Fair value of financial instruments was as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 2,029,725	\$ 1,125,321	\$ 81,023	\$ 4,269

d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$754 thousand and \$269 thousand for the years ended December 31, 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 Group would assess the risk before investing; therefore, no material market risks are anticipated.

2) Credit risk

The Group 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.

22. OTHERS

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

(In Thousands of New Taiwan Dollars and Foreign Currency)

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary item						
RMB	\$ 110,445	4.4205	\$ 488,223	\$ -	-	\$ -
U.S. dollars	8,224	29.13	239,560	5,464	31.99	174,787
Japan Yen	425,512	0.3582	152,418	302,072	0.3472	104,879
Philippine pesos	2,960	0.6831	2,022	1,984	0.7097	1,408
Long-term equity investments						
U.S. dollars	506,194	29.13	14,745,442	415,684	31.99	13,297,728
<u>Financial liabilities</u>						
Monetary item						
U.S. dollars	5	29.13	147	-	31.99	-
Japan Yen	2,646	0.3582	948	3,353	0.3472	1,164
Philippine pesos	426	0.6831	291	1,245	0.7097	884

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 estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates 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. Intercompany relationships and significant transactions: Table 6 (attached)
- k. Derivative financial transactions: None
- l. 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 7 (attached)
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
 - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None

- f) Other transactions which have significant influence over current year's gain or loss or financial status: None

24. SEGMENT INFORMATION

a. Industry

The Company and its subsidiaries solely sell cars and related parts.

b. Geographic

The Company has no revenue-generating unit operating outside Taiwan. All subsidiaries are holding companies.

c. Export sales

The export sales were less than 10% of aggregate net sales.

d. Major customers

Client	2010		2009	
	Amount	% of Net Sales	Amount	% of Net Sales
Taiwan Acceptance Corporation	\$ 24,031,493	88	\$ 18,027,876	84

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 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	December 31, 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	-	\$ 11,788	-	\$ 11,788	
	<u>Beneficiary certificates</u> Yuanta Greater China Small and Medium Cap Fund	-	Financial assets at fair value through profit or loss	800	8,000	-	8,040	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss	2,690	40,000	-	40,035	
	JIH SUN Bond Fund	-	Financial assets at fair value through profit or loss	13,467	190,000	-	190,805	
	Hua Nan Kirin Fund	-	Financial assets at fair value through profit or loss	6,956	80,017	-	80,047	
	JF (Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	6,529	70,000	-	72,188	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss	15,941	229,969	-	230,877	
	FSITC Bond Fund	-	Financial assets at fair value through profit or loss	234	40,000	-	40,037	
	FSITC Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,432	50,038	-	53,113	
	Fuh-Hwa Global Bond Fund	-	Financial assets at fair value through profit or loss	24,593	340,000	-	340,983	
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss	6,191	79,980	-	80,087	
	CAPITAL Strategic Income Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	19,940	
	CAPITAL Income Fund	-	Financial assets at fair value through profit or loss	5,827	89,954	-	90,106	
	Union Bond Fund	-	Financial assets at fair value through profit or loss	10,306	130,000	-	130,438	
	Polaris De-Bao Fund	-	Financial assets at fair value through profit or loss	3,478	40,000	-	40,057	
	SinoPac Global Emerging Markets Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,052	
	IBT Ta-Chong Bond Fund	-	Financial assets at fair value through profit or loss	2,948	40,000	-	40,085	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss	7,758	100,000	-	100,408	

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2010				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	PineBridge Global Multi - Strategy High Yield Bond Fund-A	-	Financial assets at fair value through profit or loss	4,788	\$ 47,942	-	\$ 51,065	
	Allianz Global Investors Global Bond Fund	-	Financial assets at fair value through profit or loss	2,752	30,000	-	30,447	
	Allianz Global Investors Global Agricultural Trends Fund	-	Financial assets at fair value through profit or loss	1,156	10,010	-	10,428	
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss	5,867	70,000	-	70,303	
	KGI Tumbler Fund	-	Financial assets at fair value through profit or loss	7,989	80,000	-	81,023	
	Taishin Lucky Fund	-	Financial assets at fair value through profit or loss	27,204	290,000	-	290,184	
	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	15,402,999	100.00	15,402,999	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\$ 528,509	100.00	US\$ 528,509	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 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\$ 65,390	16.55	US\$ 62,650	
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 356,003	40.00	US\$ 354,245	
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 71,926	25.00	US\$ 71,926	
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,790	49.00	US\$ 7,790	
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 8,634	45.00	US\$ 8,634	
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 950	49.00	US\$ 950	

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: Eliminated.

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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> 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
	Hua Nan Kirin Fund	Financial assets at fair value through profit or loss	-	-	-	-	24,344	280,000	17,388	200,016	199,983	33	6,956	80,017
	FSITC Global High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	15,942	180,000	11,510	136,634	129,962	6,672	4,432	50,038
	Fuh-Hwa Global Bond Fund	Financial assets at fair value through profit or loss	-	-	10,135	140,000	14,458	200,000	-	-	-	-	24,593	340,000
	Fuh-Hwa Yuli Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,291	120,000	3,100	40,075	40,020	55	6,191	79,980
	CAPITAL Income Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,717	150,000	3,890	60,111	60,046	65	5,827	89,954
	PineBridge Global Multi - Strategy High Yield Bond Fund-A (formerly AIG Global Multi-Strategy High Yield Bond Fund)	Financial assets at fair value through profit or loss	-	-	4,225	40,000	16,499	167,000	15,936	168,536	159,058	9,478	4,788	47,942
	Taishin Lucky Fund	Financial assets at fair value through profit or loss	-	-	-	-	27,204	290,000	-	-	-	-	27,204	290,000
	Yuanta Wan Tai Bond Fund	Financial assets at fair value through profit or loss	-	-	6,911	100,000	8,972	130,000	15,883	230,202	230,000	202	-	-
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss	-	-	5,130	80,000	2,564	40,000	7,694	120,190	120,000	190	-	-
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	45,976	540,000	45,976	540,103	540,000	103	-	-
	PineBridge Global Emerging Market High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,413	110,000	10,413	116,252	110,000	6,252	-	-
	Hua Nan Phoenix Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	12,838	200,000	12,838	200,279	200,000	279	-	-

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 SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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 (Note 3)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 3)	
Yulon Nissan Motor Company Ltd.	Yulon Motor Co., Ltd.	Equity-method investor of the Company	Purchase	\$ 22,425,521	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (591,906)	74	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon	Sale	24,031,493	88	4 days after sales for parts 3 days after sales for vehicles	-	-	110,023	34	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon	Sale	322,467	1	15 days after sales for parts	-	-	8,431	3	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon	Sale	310,863	1	15 days after sales for parts Immediate payment for vehicles	-	-	10,123	3	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon	Sale	268,671	1	Same as above	-	-	31	-	-
	Chi Ho Corporation	Equity-method investee of Yulon	Sale	249,653	1	15 days after sales for parts 90 days after sales for vehicles	-	-	4,835	2	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon	Sale	208,282	1	15 days after sales for parts	-	-	3,191	1	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon	Sale	201,575	1	15 days after sales for parts Immediate payment for vehicles	-	-	5,571	2	-
	Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon	Sale	194,106	1	15 days after sales for parts	-	-	-	-	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon	Sale	192,841	1	15 days after sales for parts Immediate payment for vehicles	-	-	1,075	-	-
Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon	Sale	191,514	-	15 days after sales for parts	-	-	-	-	-	
Nissan Motor Egypt S.A.E.	Subsidiary of Nissan	Sale	187,587	-	30 days after sales for parts	-	-	37,109	12	-	

Note 1: Transaction terms are based on agreements.

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

Note 3: The total purchase or sales were based on the carrying amount of the Company.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2010

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	\$ 125,763	166.02	\$ -	-	\$ 125,763	\$ -

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 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 December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 1)	Note
				December 31, 2010	December 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	\$ 15,402,999	\$ 2,854,846	\$ 2,854,846	Note 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc. Yi Hsing Corporation	British Virgin Islands Philippines	Investment Inquire of parts sales prices and commission-based business	US\$ 57,171 US\$ 200	US\$ 57,171 US\$ 200	71,772 1,100	100.00 100.00	US\$ 528,509 US\$ 203	US\$ 90,601 US\$ (18)	US\$ 90,601 US\$ (18)	Note 2 Note 2
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\$ 65,390	US\$ 118,137	US\$ 19,147	
	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\$ 356,003	US\$ 152,183	US\$ 59,480	
	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\$ 71,926	US\$ 32,866	US\$ 8,217	
	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\$ 7,790	US\$ 43	US\$ 21	
	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\$ 8,634	US\$ 2,438	US\$ 1,097	
	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\$ 950	US\$ 201	US\$ 98	

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

Note 2: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2010 AND 2009

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

Year	Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Consolidated Total Sales or Assets (Note 5)
2010	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	\$ 3,299	-	-
			Yi Hsing Corporation	1	Notes and accounts payable - related parties	302	-	-
					Commission expenses	543	-	-
	2	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	3,299	-	-
	3	Yi Hsing Corporation	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts receivable - related parties	302	-	-
					Commission revenue	543	-	-
2009	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	4,167	-	-
			Yi Hsing Corporation	1	Notes and accounts payable - related parties	1,992	-	-
			Commission expenses	349	-	-		
	2	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	4,167	-	-
	3	Yi Hsing Corporation	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts receivable - related parties	1,992	-	-
					Commission revenue	349	-	-

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

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

Note 3: Eliminated.

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

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

TABLE 7

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 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 December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 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%	\$ 603,466 (US\$ 19,147)	\$ 1,904,817 (US\$ 65,390)	\$ -
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%	1,874,690 (US\$ 59,480)	10,370,382 (US\$ 356,003)	1,269,572 (US\$ 39,777)
Aeolus Automobile Co., Ltd.	Developing and selling of parts and vehicles and related services	663,931 (RMB 173,550)	Note 1	345,322 (US\$ 10,890)	-	-	345,322 (US\$ 10,890)	25.00%	258,970 (US\$ 8,217)	2,095,201 (US\$ 71,926)	-
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%	665 (US\$ 21)	226,908 (US\$ 7,790)	-
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%	34,585 (US\$ 1,097)	251,504 (US\$ 8,634)	-
Dong Feng Yulon Used Cars Co., Ltd.	Valuation, purchase, renovation, rent and selling of used cars.	38,300 (RMB 10,000)	Note 1	18,804 (US\$ 593)	-	-	18,804 (US\$ 593)	49.00%	3,107 (US\$ 98)	27,665 (US\$ 950)	-

Accumulated Investment in Mainland China as of December 31, 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)	\$10,299,206

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 the audited 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.