

**Yulon Nissan Motor Company, Ltd.**

**Financial Statements for the  
Six Months Ended June 30, 2011 and 2010 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of June 30, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 9 to the financial statements, the carrying values of certain long-term investments accounted for by the equity method as of June 30, 2011 and 2010, which amounted to \$4,778,266 thousand and \$4,389,071 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$248,098 thousand and \$460,376 thousand, respectively, were based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the investees mentioned in the third paragraph been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

July 29, 2011

### Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD.

## BALANCE SHEETS

JUNE 30, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 916,733	4	\$ 588,743	3	Notes and accounts payable	\$ 103,119	1	\$ 60,612	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	3,818,713	16	2,393,868	12	Notes and accounts payable - related parties (Note 19)	2,137,980	9	1,305,513	7
Notes and accounts receivable (Notes 2 and 6)	34,497	-	25,905	-	Income tax payable (Notes 2 and 15)	95,443	-	50,985	-
Notes and accounts receivable - related parties (Note 19)	804,221	4	547,285	3	Accrued expenses (Note 12)	513,417	2	458,004	2
Other financial assets (Note 7)	3,262	-	42,408	-	Dividend payable (Note 13)	1,680,000	7	-	-
Inventories (Notes 2 and 8)	1,736	-	1,191	-	Other current liabilities	98,134	1	110,193	1
Prepayments	7,546	-	5,127	-					
Deferred income tax assets, net (Notes 2 and 15)	16,916	-	125,665	-	Total current liabilities	4,628,093	20	1,985,307	10
Other current assets	283	-	-	-	<b>OTHER LIABILITIES</b>				
Total current assets	5,603,907	24	3,730,192	18	Accrued pension liabilities (Notes 2 and 16)	458,171	2	437,455	2
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	16,371,045	70	15,232,299	74	Deferred income tax liabilities, net (Notes 2 and 15)	1,388,085	6	1,010,044	5
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)</b>					Warranty (Note 2)	157,054	-	70,278	-
Cost									
Machinery and equipment	21,135	-	21,863	-	Total other liabilities	2,003,310	8	1,517,777	7
Transportation equipment	4,290	-	4,290	-					
Tools	5,694	-	5,694	-	Total liabilities	6,631,403	28	3,503,084	17
Computer equipment	82,108	1	82,835	1	<b>STOCKHOLDERS' EQUITY</b>				
Other equipment	79,967	-	74,854	-	Capital stock - \$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	13	3,000,000	15
Leasehold improvement	4,809	-	3,930	-	Capital surplus				
Total cost	198,003	1	193,466	1	Excess from spin-off	5,986,507	26	5,986,507	29
Less accumulated depreciation	162,579	1	151,482	1	Gains on long-term investments	2,461	-	2,461	-
	35,424	-	41,984	-	Total capital surplus	5,988,968	26	5,988,968	29
Prepayments for equipment	1,712	-	2,000	-	Retained earnings				
Property, plant and equipment, net	37,136	-	43,984	-	Legal reserve	1,381,683	6	1,093,293	5
<b>OTHER ASSETS</b>					Special reserve	379,840	2	379,840	2
Refundable deposits	4,245	-	3,813	-	Unappropriated earnings	5,729,903	24	5,278,335	26
Deferred charges (Notes 2, 11 and 19)	1,365,071	6	1,554,854	8	Total retained earnings	7,491,426	32	6,751,468	33
Total other assets	1,369,316	6	1,558,667	8	Cumulative translation adjustments	269,607	1	1,321,622	6
<b>TOTAL</b>	<b>\$ 23,381,404</b>	<b>100</b>	<b>\$ 20,565,142</b>	<b>100</b>	Total stockholders' equity	16,750,001	72	17,062,058	83
					<b>TOTAL</b>	<b>\$ 23,381,404</b>	<b>100</b>	<b>\$ 20,565,142</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated July 29, 2011)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
SALES (Note 19)	\$ 16,490,697	100	\$ 13,908,598	100
LESS: SALES RETURNS	4,902	-	2,482	-
SALES ALLOWANCES	<u>2,441</u>	<u>-</u>	<u>1,271</u>	<u>-</u>
NET SALES	16,483,354	100	13,904,845	100
COST OF SALES (Note 19)	<u>14,190,355</u>	<u>86</u>	<u>12,014,656</u>	<u>87</u>
GROSS PROFIT	<u>2,292,999</u>	<u>14</u>	<u>1,890,189</u>	<u>13</u>
OPERATING EXPENSES (Note 19)				
Marketing and selling	1,294,041	8	1,097,411	8
General and administrative	224,952	1	194,328	1
Research and development	<u>251,533</u>	<u>2</u>	<u>252,027</u>	<u>2</u>
Total operating expenses	<u>1,770,526</u>	<u>11</u>	<u>1,543,766</u>	<u>11</u>
OPERATING GAIN	<u>522,473</u>	<u>3</u>	<u>346,423</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	916,018	5	1,580,103	12
Gain from valuation of financial assets	17,787	-	3,910	-
Foreign exchange gain	1,456	-	6,629	-
Interest income	458	-	392	-
Others (Note 19)	<u>11,069</u>	<u>-</u>	<u>9,414</u>	<u>-</u>
Total nonoperating income and gains	<u>946,788</u>	<u>5</u>	<u>1,600,448</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Overseas business expense (Note 19)	24,851	-	34,554	-
Loss on sale of investments, net	5,135	-	12,203	-
Interest expense (Note 19)	586	-	668	-
Others (Note 19)	<u>9,105</u>	<u>-</u>	<u>10,530</u>	<u>-</u>
Total nonoperating expenses and losses	<u>39,677</u>	<u>-</u>	<u>57,955</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,429,584	8	1,888,916	14
INCOME TAX EXPENSES (Notes 2 and 15)	<u>216,955</u>	<u>1</u>	<u>212,347</u>	<u>2</u>
NET INCOME	<u>\$ 1,212,629</u>	<u>7</u>	<u>\$ 1,676,569</u>	<u>12</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

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	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 4.77</u>	<u>\$ 4.04</u>	<u>\$ 6.30</u>	<u>\$ 5.59</u>
Diluted	<u>\$ 4.75</u>	<u>\$ 4.03</u>	<u>\$ 6.28</u>	<u>\$ 5.58</u>

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

(With Deloitte & Touche audit report dated July 29, 2011)

(Concluded)

**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	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, 2011	300,000	\$ 3,000,000	\$ 5,986,507	\$ 2,461	\$ 5,988,968	\$ 1,093,293	\$ 379,840	\$ 6,485,664	\$ 7,958,797	\$ 217,579	\$ 17,165,344
Appropriation of 2010 earnings											
Legal reserve	-	-	-	-	-	288,390	-	(288,390)	-	-	-
Cash dividends - \$5.6 per share	-	-	-	-	-	-	-	(1,680,000)	(1,680,000)	-	(1,680,000)
Net income from January 1, 2011 to June 30, 2011	-	-	-	-	-	-	-	1,212,629	1,212,629	-	1,212,629
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	52,028	52,028
BALANCE, JUNE 30, 2011	<u>300,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 2,461</u>	<u>\$ 5,988,968</u>	<u>\$ 1,381,683</u>	<u>\$ 379,840</u>	<u>\$ 5,729,903</u>	<u>\$ 7,491,426</u>	<u>\$ 269,607</u>	<u>\$ 16,750,001</u>
BALANCE, JANUARY 1, 2010	300,000	\$ 3,000,000	\$ 5,986,507	\$ 2,461	\$ 5,988,968	\$ 1,028,005	\$ 379,840	\$ 3,667,054	\$ 5,074,899	\$ 1,206,273	\$ 15,270,140
Appropriation of 2009 earnings											
Legal reserve	-	-	-	-	-	65,288	-	(65,288)	-	-	-
Net income from January 1, 2010 to June 30, 2010	-	-	-	-	-	-	-	1,676,569	1,676,569	-	1,676,569
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	115,349	115,349
BALANCE, JUNE 30, 2010	<u>300,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,986,507</u>	<u>\$ 2,461</u>	<u>\$ 5,988,968</u>	<u>\$ 1,093,293</u>	<u>\$ 379,840</u>	<u>\$ 5,278,335</u>	<u>\$ 6,751,468</u>	<u>\$ 1,321,622</u>	<u>\$ 17,062,058</u>

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

(With Deloitte & Touche audit report dated July 29, 2011)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,212,629	\$ 1,676,569
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	262,279	286,079
Loss on sale of investments, net	5,135	12,203
Equity in net income of investees	(916,018)	(1,580,103)
Gain from valuation of financial assets	(17,787)	(3,910)
Deferred income taxes	238,831	224,978
Provision for pension costs	8,585	13,003
Provision for loss on inventory purchase commitment	8,225	43,560
Provision for warranty liabilities	49,900	179
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,695,313)	(1,272,571)
Notes and accounts receivable	(8,038)	3,413
Notes and accounts receivable - related parties	(480,616)	(149,549)
Other financial assets	610,694	11,458
Inventories	(720)	(297)
Prepayments	(2,980)	(2,209)
Other current assets	(283)	36,632
Notes and accounts payable	21,600	57,635
Notes and accounts payable - related parties	1,062,283	471,425
Income tax payable	44,458	(22,429)
Accrued expenses	26,954	145,726
Other current liabilities	(5,668)	3,071
Net cash provided by (used in) operating activities	<u>424,150</u>	<u>(45,137)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(4,700)	(3,225)
Decrease (increase) in refundable deposits	(1,565)	3,547
Increase in deferred charges	<u>(178,279)</u>	<u>(57,200)</u>
Net cash used in investing activities	<u>(184,544)</u>	<u>(56,878)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	239,606	(102,015)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>677,127</u>	<u>690,758</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 916,733</u>	<u>\$ 588,743</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for		
Interest	<u>\$ 592</u>	<u>\$ 668</u>
Income tax	<u>\$ 77,016</u>	<u>\$ 9,816</u>

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**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

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	2011	2010
NON-CASH FINANCING ACTIVITIES		
Dividend payable	<u>\$ 1,680,000</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated July 29, 2011)

(Concluded)



# YULON NISSAN MOTOR COMPANY, LTD.

## NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

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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 June 30, 2011 and 2010, the Company had 413 and 398 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (“ROC”). The Company’s significant accounting policies are summarized as follows:

#### **Foreign-currency Transactions**

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

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

#### **Accounting Estimates**

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, income tax, pension cost, loss on pending litigations, loss on long-term contracts, allowance for product warranties, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

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

## **Current/Noncurrent Assets and Liabilities**

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

### **Cash Equivalent**

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

### **Financial Instruments at Fair Value Through Profit or Loss**

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

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

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

### **Impairment of Accounts Receivable**

Before January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivable. On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account.

### **Inventories**

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

## **Long-term Equity Investments**

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

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

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

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

## **Property, Plant and Equipment**

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

Depreciation expense is determined based upon the asset's estimated useful life using the straight-line method. The estimated useful lives are as follows: machinery and equipment, 3 to 10 years; transportation equipment, 4 to 5 years; tools, 2 to 5 years; computer equipment, 2 to 5 years; other equipment, 2 to 15 years; and leasehold improvement, 3 to 5 years. When properties are retired or disposed, their costs 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) 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.

## **Warranty**

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

## **Pensions**

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

## **Income Tax**

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

Tax credits for research and development expenditures are recognized using the flow-through method.

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

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

## **Revenue Recognition**

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

### **3. REASON AND EFFECT OF THE CHANGES OF ACCOUNTING PRINCIPLE**

#### **Accounting for Financial Instruments**

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revision is loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change had no effect on the Corporation's net income and after income tax basic earnings per share for the six months ended June 30, 2011.

#### **Disclosure of Operating Segments**

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 "Segment Reporting." For this accounting change, the Company disclosed the segment information as of and for the six months ended June 30, 2011.

#### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Cash		
Cash on hand	\$ 20	\$ 20
Checking accounts and demand deposits	751,539	489,738
Time deposits, annual yield rate - 2011: 0.84%-0.87%; 2010: 0.58%	3,000	1,500
Foreign-currency demand deposits	<u>150,466</u>	<u>84,572</u>
	905,025	575,830
Cash equivalents		
Foreign commercial papers, annual yield rate -2011: 1.50%; 2010: 1.60%	<u>11,708</u>	<u>12,913</u>
	<u>\$ 916,733</u>	<u>\$ 588,743</u>

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

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Financial assets held for trading		
Mutual funds	<u>\$ 3,818,713</u>	<u>\$ 2,393,868</u>

There were a net gain of \$12,652 thousand and a net loss of \$8,293 thousand on financial assets held for trading for the six months ended June 30, 2011 and 2010, respectively.

#### 6. NOTES AND ACCOUNTS RECEIVABLE

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Notes receivable	\$ 91	\$ 761
Accounts receivable	<u>34,406</u>	<u>25,144</u>
	<u>\$ 34,497</u>	<u>\$ 25,905</u>

#### 7. OTHER FINANCIAL ASSETS

	<u>June 30</u>	
	<b>2011</b>	<b>2010</b>
Tax refund receivable	\$ 37	\$ 33,339
Interest receivable	16	10
Others	<u>3,209</u>	<u>9,059</u>
	<u>\$ 3,262</u>	<u>\$ 42,408</u>

## 8. INVENTORIES

	June 30	
	2011	2010
Parts	\$ <u>1,736</u>	\$ <u>1,191</u>

The cost of inventories recognized as cost of sales during the six months ended June 30, 2011 was \$14,190,355 thousand, which included warranty cost of \$72,305 thousand and loss on inventory purchase commitment of \$8,225 thousand. The cost of inventories recognized as cost of sales during the six months ended June 30, 2010 was \$12,014,656 thousand, which included warranty cost of \$36,044 thousand and loss on inventory purchase commitment of \$43,560 thousand.

## 9. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Yi-Jan Overseas Investment Co., Ltd.	\$ <u>16,371,045</u>	100	\$ <u>15,232,299</u>	100

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

Investee	Percentage of Ownership	Accumulated Investment Amount (In Thousands) as of June 30, 2011
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 inquiring selling prices of motor parts and engages in commission-based businesses.

As of June 30, 2011 and 2010, the carrying values and related investment income of Yi-Jan Overseas Investment Co., Ltd., Jet Ford Inc. and Guangzhou Aeolus Automobile Co., Ltd., were based on the investees' audited financial statements, the rest were based on the investees' unaudited financial statements.

The carrying values of the long-term investments as of June 30, 2011 and 2010, which amounted to \$4,778,266 thousand and \$4,389,071 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$248,098 thousand and \$460,376 thousand, respectively, were based on the investees' unaudited financial statements.

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

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Accumulated depreciation		
Machinery and equipment	\$ 16,922	\$ 16,835
Transportation equipment	3,913	3,647
Tools	4,118	3,484
Computer equipment	69,357	64,312
Other equipment	65,556	61,883
Leasehold improvement	<u>2,713</u>	<u>1,321</u>
	<u>\$ 162,579</u>	<u>\$ 151,482</u>

Depreciation of property, plant and equipment amounted to \$8,404 thousand and \$8,781 thousand for the six months ended June 30, 2011 and 2010, respectively.

## 11. DEFERRED CHARGES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Costs of molds	\$ 1,108,581	\$ 1,206,378
Dies	240,179	328,876
Computer software	<u>16,311</u>	<u>19,600</u>
	<u>\$ 1,365,071</u>	<u>\$ 1,554,854</u>

Amortization of deferred charges amounted to \$253,875 thousand and \$277,298 thousand for the six months ended June 30, 2011 and 2010, respectively.

## 12. ACCRUED EXPENSES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Wages and bonuses	\$ 242,507	\$ 193,403
Promotion expenses	224,585	170,635
VAT payable	31,596	22,215
Others	<u>14,729</u>	<u>71,751</u>
	<u>\$ 513,417</u>	<u>\$ 458,004</u>

## 13. 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, 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 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 the Company's employees for six months ended June 30, 2011 was calculated at 2.36% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for six months ended June 30, 2010 was calculated at 3.41% of net income net of 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.

The distribution of the 2010 earnings of the Company approved by the stockholders on June 23, 2011 and the distribution of the 2009 earnings of the Company approved by the stockholders on June 21, 2010 were as follows:

	<u>Appropriation of Earnings</u>		<u>Earnings Per Share</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Legal reserve	\$ 288,390	\$ 65,288		
Cash dividend	1,680,000	-	\$ 5.60	\$ -



The cash bonus to employees of \$64,824 thousand for 2010 was approved in stockholders' meeting on June 23, 2011. The approved amount of the cash bonus to employees was not different from the accrual amount of \$64,824 thousand reflected in the financial statements for the year ended December 31, 2010.

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.

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.

#### 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 \$234,429 thousand and \$200,600 thousand for the six months ended June 30, 2011 and 2010, respectively, were recorded under costs 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:

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Income tax expense computed on the basis of income before income tax at statutory tax rate	\$ 243,029	\$ 321,116
Add (deduct) tax effects of:		
Permanent differences	2,503	7,376
Temporary differences	(159,960)	(292,060)
Loss carryforwards used	(40,468)	(36,432)
Additional tax on retained earnings (10%)	91,551	58,759
Investment tax credits	<u>(45,093)</u>	<u>(58,759)</u>
Income tax payable	<u>\$ 91,562</u>	<u>\$ -</u>

The balance of the income tax payable shown on the balance sheet as of June 30, 2011 was net of prepaid income tax and included the income tax payable of previous years.

The balance of the income tax payable shown on the balance sheet as of June 30, 2010 was the income tax payable of previous years.

Income tax returns through 2008 had been examined by the tax authorities.

b. Income tax expense consisted of the following:

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Income tax payable	\$ 91,562	\$ -
Deferred income tax	238,831	224,978
Prior year's income tax adjustments	<u>(113,438)</u>	<u>(12,631)</u>
Income tax expense	<u>\$ 216,955</u>	<u>\$ 212,347</u>

Prior years' income tax adjustments arose from tax exemption from 2004 to 2007 re-examined by tax authorities.

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

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Current</b>		
Loss on inventory purchase commitment	\$ 12,628	\$ 13,530
Unrealized foreign exchange loss	4,288	3,312
Loss carryforwards	-	63,730
Investment tax credits	<u>-</u>	<u>45,093</u>
Net deferred income tax assets	<u>\$ 16,916</u>	<u>\$ 125,665</u>
<b>Noncurrent</b>		
Provision for pension	\$ 77,859	\$ 74,377
Impairment loss difference between taxable loss and book loss	57,234	82,963
Provision for warranty	26,699	11,947
Investment tax credits	2,365	482
Equity in net income of overseas subsidiaries	<u>(1,552,242)</u>	<u>(1,179,813)</u>
Net deferred income tax liabilities	<u>\$ (1,388,085)</u>	<u>\$ (1,010,044)</u>

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 June 30, 2011, the amount of the investment under the plans totaled \$23,650 thousand, with investment tax credit amount of \$2,365 thousand.

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Balance of imputation credit account ("ICA")	<u>\$ 315,250</u>	<u>\$ 414,966</u>

The actual ICA rates for 2010 and 2009 earnings were 4.86% and 11.52%, respectively.

## 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 \$5,438 thousand and \$4,699 thousand for the six months ended June 30, 2011 and 2010, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,831 thousand and \$1,601 thousand as of June 30, 2011 and 2010, 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 \$14,817 thousand and \$16,561 thousand for the six months ended June 30, 2011 and 2010, respectively. Pension fund amounted to \$5,226 thousand and \$5,834 thousand as of June 30, 2011 and 2010, respectively. Accrued pension liabilities recognized under the defined benefit plan were \$456,340 thousand and \$435,854 thousand as of June 30, 2011 and 2010, respectively.

## 17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2011		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 548	\$ 293,470	\$ 294,018
Labor and health insurance	-	13,547	13,547
Pension	-	19,530	19,530
Other personnel expenses	-	12,775	12,775
	<u>\$ 548</u>	<u>\$ 339,322</u>	<u>\$ 339,870</u>
Depreciation	<u>\$ -</u>	<u>\$ 8,404</u>	<u>\$ 8,404</u>
Amortization	<u>\$ 251,180</u>	<u>\$ 2,695</u>	<u>\$ 253,875</u>
	Six Months Ended June 30, 2010		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 457	\$ 287,712	\$ 288,169
Labor and health insurance	-	12,820	12,820
Pension	-	20,087	20,087
Other personnel expenses	-	11,147	11,147
	<u>\$ 457</u>	<u>\$ 331,766</u>	<u>\$ 332,223</u>
Depreciation	<u>\$ 772</u>	<u>\$ 8,009</u>	<u>\$ 8,781</u>
Amortization	<u>\$ 271,222</u>	<u>\$ 6,076</u>	<u>\$ 277,298</u>

## 18. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Six months ended June 30, 2011</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 1,429,584	\$ 1,212,629	300,000	<u>\$ 4.77</u>	<u>\$ 4.04</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>662</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 1,429,584</u>	<u>\$ 1,212,629</u>	<u>300,662</u>	<u>\$ 4.75</u>	<u>\$ 4.03</u>
<u>Six months ended June 30, 2010</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 1,888,916	\$ 1,676,569	300,000	<u>\$ 6.30</u>	<u>\$ 5.59</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>553</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 1,888,916</u>	<u>\$ 1,676,569</u>	<u>300,553</u>	<u>\$ 6.28</u>	<u>\$ 5.58</u>

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 to 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 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

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Nissan Motor Iberica, S.A.	Same as above
Nissan Motor Light Truck Co., Ltd.	Same as above
PT. Nissan Motor Indonesia (“NMP”)	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
Allied Engineering Co., Ltd.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Dongfeng Yi Jin Co., Ltd.	Equity-method investee of Nissan
Dongfeng Nissan Passenger Vehicle Co.	Same as above
Yi-Jan Overseas Investment Co., Ltd.	Subsidiary
Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.
Yi Hsing Corporation	Same as above
Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.
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
Luxgen Motor Co., Ltd.	Same as above
Singgual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinboun Travel Service Co., Ltd.	Same as above
Uni Calsonic Corporation	Equity-method investee of Yulon
Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.)	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
ROC Spicer Ltd.	Same as above
China Motor Corporation	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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
Sinjang Co., Ltd.	Same as above
Visionary International Consulting Co., Ltd.	Subsidiary of Yulon Management Co., Ltd.
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
China Ogihara Corporation	Subsidiary of China Motor Corporation
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 Consulting Co., Ltd.

(Concluded)

- b. The prices and payment terms for related-party transactions were based on agreements.
- c. Significant transactions with related parties are summarized as follows:

	<u>Six Months Ended June 30</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 14,575,969	89	\$ 12,215,595	88
Yuan Lon Motor Co., Ltd.	172,850	1	150,552	1
Yu Chang Motor Co., Ltd.	170,605	1	162,990	1
Yu Sing Motor Co., Ltd.	145,313	1	131,994	1
Chi Ho Corporation	139,998	1	127,495	1
Yushin Motor Co., Ltd.	115,720	1	94,469	-
Chen Long Co., Ltd.	114,674	1	104,922	1
Yu Tang Motor Co., Ltd.	110,384	1	95,920	1
Empower Motor Co., Ltd.	110,046	1	98,411	1
Hui-Lian Motor Co.	108,136	-	96,597	1
Nissan Motor Egypt S.A.E.	56,580	-	69,327	-
Sin Etke Technology Co., Ltd.	37,682	-	31,573	-
NMPI	37,145	-	51,738	-
Others	<u>280,491</u>	<u>2</u>	<u>197,885</u>	<u>2</u>
	<u>\$ 16,175,593</u>	<u>99</u>	<u>\$ 13,629,468</u>	<u>98</u>
2) Operating revenue - service revenue				
Nissan	<u>\$ 4,957</u>	<u>100</u>	<u>\$ 3,891</u>	<u>100</u>

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

	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
3) Operating revenue - others				
Yulon	\$ 22,952	74	\$ 6,398	22
Zhengzhou Nissan Automobile Co., Ltd.	7,286	23	15,340	53
Others	<u>-</u>	<u>-</u>	<u>4,644</u>	<u>16</u>
	<u>\$ 30,238</u>	<u>97</u>	<u>\$ 26,382</u>	<u>91</u>

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

	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
4) Operating cost - purchase				
Yulon	\$ 13,571,292	99	\$ 11,388,780	99
Others	<u>35,047</u>	<u>-</u>	<u>41,592</u>	<u>-</u>
	<u>\$ 13,606,339</u>	<u>99</u>	<u>\$ 11,430,372</u>	<u>99</u>

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

Nissan	\$ 234,429	100	\$ 200,600	100
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6) Operating expenses - rental

Yulon	\$ 9,527	41	\$ 11,835	42
Ka-Plus Automobile Leasing Co., Ltd.	4,000	17	4,070	15
Sin Etke Technology Co., Ltd.	1,458	6	1,458	5
Hsieh Kuan Manpower Service Co., Ltd.	855	4	664	2
Tang Li Enterprise Co., Ltd.	521	2	394	1
Others	<u>96</u>	<u>-</u>	<u>193</u>	<u>1</u>
	<u>\$ 16,457</u>	<u>70</u>	<u>\$ 18,614</u>	<u>66</u>

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

	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</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	\$ 144,396	11	\$ 106,089	10
Yu Chang Motor Co., Ltd.	115,483	9	91,686	8
Yu Sing Motor Co., Ltd.	110,122	9	94,659	9
Yuan Lon Motor Co., Ltd.	88,274	7	79,561	7
Empower Motor Co., Ltd.	59,818	5	55,191	5
Chi Ho Corporation	59,612	5	43,850	4
Yushin Motor Co., Ltd.	58,484	4	62,225	6
Hui-Lian Motor Co.	58,005	4	57,744	5
Chen Long Co., Ltd.	55,944	4	45,726	4
Yu Tang Motor Co., Ltd.	52,197	4	44,982	4
Others	<u>75,670</u>	<u>6</u>	<u>67,705</u>	<u>6</u>
	<u>\$ 878,005</u>	<u>68</u>	<u>\$ 749,418</u>	<u>68</u>

8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 87,377	39	\$ 85,650	44
Yulon	9,590	4	2,721	1
Chen Long Co., Ltd.	1,702	1	882	1
Others	<u>3,618</u>	<u>2</u>	<u>7,925</u>	<u>4</u>
	<u>\$ 102,287</u>	<u>46</u>	<u>\$ 97,178</u>	<u>50</u>

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

	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
9) Operating expenses - research and development				
Hsiang Shou Enterprise Co., Ltd.	\$ 11,525	5	\$ 12,247	5
Yulon	3,377	1	1,979	1
Others	<u>3,254</u>	<u>1</u>	<u>567</u>	<u>-</u>
	<u>\$ 18,156</u>	<u>7</u>	<u>\$ 14,793</u>	<u>6</u>

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



	<b>Six Months Ended June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
10) Nonoperating income - others				
Hua-Chuang Automobile Information Technical Center Co., Ltd.	\$ 2,537	23	\$ -	-
Yu Chang Motor Co., Ltd.	1,045	9	241	3
Yuan Lan Motor Co., Ltd.	879	8	485	5
Yushin Motor Co., Ltd.	747	7	232	3
Yu Tang Motor Co., Ltd.	727	7	485	5
Chi Ho Corporation	714	6	212	2
Others	<u>2,079</u>	<u>19</u>	<u>3,075</u>	<u>32</u>
	<u>\$ 8,728</u>	<u>79</u>	<u>\$ 4,730</u>	<u>50</u>

11) Nonoperating expenses and losses -  
overseas business expense

Yulon Management Co., Ltd.	\$ 6,418	26	\$ 6,186	18
Sinjang Co., Ltd.	3,731	15	6,670	19
Visionary International Consulting Co., Ltd.	1,371	6	594	2
Others	<u>1,265</u>	<u>5</u>	<u>2,293</u>	<u>7</u>
	<u>\$ 12,785</u>	<u>52</u>	<u>\$ 15,743</u>	<u>46</u>

12) Nonoperating expenses - others

Yulon	<u>\$ 28</u>	<u>-</u>	<u>\$ 785</u>	<u>7</u>
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	<b>June 30</b>			
	<b>2011</b>		<b>2010</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	\$ 614,548	77	\$ 262,840	48
NMPI	43,545	5	105,596	19
Chi Ho Corporation	28,787	4	5,932	1
Jet Ford, Inc.	20,964	3	37,314	7
Yulon	17,930	2	37,180	7
Sin Etke Technology Co., Ltd.	11,495	1	26,583	5
Others	<u>66,952</u>	<u>8</u>	<u>71,840</u>	<u>13</u>
	<u>\$ 804,221</u>	<u>100</u>	<u>\$ 547,285</u>	<u>100</u>

Jet Ford Inc. sells parts, steel and aluminum part for the Company. As of June 30, 2011 and 2010, the accounts receivable from Jet Ford Inc. arises from related accounts.

	<b>June 30</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
14) Notes and accounts payable - related parties				
Yulon	\$ 1,725,282	81	\$ 962,791	74
Nissan	100,733	4	100,123	8
Taiwan Acceptance Corporation	71,004	3	68,721	5
Yueki Industrial Co., Ltd.	61,799	3	5,091	-
Others	<u>179,162</u>	<u>9</u>	<u>168,787</u>	<u>13</u>
	<u>\$ 2,137,980</u>	<u>100</u>	<u>\$ 1,305,513</u>	<u>100</u>

15) The Company sold to Taiwan Acceptance Corporation accounts receivable amounted to \$1,010,074 thousand and \$984,366 thousand for the six months ended June 30, 2011 and 2010, 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 \$586 thousand and \$569 thousand for the six months ended June 30, 2011 and 2010, respectively.

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

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Kian Shen Corporation	\$ 1,857	\$ 320
Uni Auto Parts Co., Ltd.	387	3,759
Y-teks, Co.	165	-
Yueki Industrial Co., Ltd.	155	-
Chien Tai Industry Co., Ltd.	<u>-</u>	<u>3,740</u>
	<u>\$ 2,564</u>	<u>\$ 7,819</u>

## 20. SIGNIFICANT COMMITMENTS

As of June 30, 2011, significant commitments and contingencies of the Company were as follows:

- a. The Company is under a manufacturing contract with Yulon, effective November 1, 2003. This contract, for which the first expiry date was on October 31, 2008, is automatically extended annually unless either party issues a termination notice at least three months before expiry. As of June 30, 2011, 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 June 30, 2011, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the 5 succeeding years and after are as follows:

Year	Rental (Thousands)
3rd to 4th of 2011	\$ 1,254
2012	2,508
2013	2,508
2014	2,508
2015 and after	6,479

- d. The Company had commitment to buy computer equipment and molds for \$3,052 thousand and \$329,359 thousand, respectively.

## 21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	June 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash and cash equivalents	\$ 916,733	\$ 916,733	\$ 588,743	\$ 588,743
Financial assets at fair value through profit or loss	3,818,713	3,818,713	2,393,868	2,393,868
Notes and accounts receivable	34,497	34,497	25,905	25,905
Notes and accounts receivable - related parties	804,221	804,221	547,285	547,285
Other financial assets	3,262	3,262	42,408	42,408
Long-term equity investments	16,371,045	16,371,045	15,232,299	15,232,299
Refundable deposits	4,245	4,245	3,813	3,813
Liabilities:				
Notes and accounts payable	103,119	103,119	60,612	60,612
Notes and accounts payable - related parties	2,137,980	2,137,980	1,305,513	1,305,513
Income tax payable	95,443	95,443	50,985	50,985
Accrued expenses	513,417	513,417	458,004	458,004
Dividend payable	1,680,000	1,680,000	-	-
Accrued pension liabilities	458,171	458,171	437,455	437,455

- 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>June 30</b>		<b>June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 3,566,971	\$ 2,359,280	\$ 251,742	\$ 34,588

d. Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were \$719 thousand and \$(143) thousand for the six months ended June 30, 2011 and 2010, 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.

## 22. OTHERS

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

	June 30					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary item						
U.S. dollars	\$ 4,810	28.725	\$ 138,167	\$ 4,552	32.15	\$ 146,347
Japan Yen	294,259	0.3573	105,139	337,164	0.3628	122,323
Long-term equity investments						
U.S. dollars	569,923	28.725	16,371,045	473,788	32.15	15,232,299
<u>Financial liabilities</u>						
Monetary item						
Japan Yen	3,062	0.3573	1,094	2,430	0.3628	882
Philippine pesos	442	0.6794	300	203	0.7096	144

## 23. ADDITIONAL DISCLOSURES

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

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

k. Investment in Mainland China

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

## 24. OPERATING SEGMENTS INFORMATION

According to SFAS No. 41, "Operating Segments", the reportable segments of the Company are vehicle segment, parts segment, investment segment and other segment.

Vehicle segment: Vehicle sales

Part segment: Parts sales

Investment segment: Oversea business activities

Other segment: Other operating activities other than the above segments

Item	Six Months Ended June 30, 2011						Total
	Vehicle Segment	Parts Segment	Investment Segment	Other Segment	Adjustment	Unappropriated Amounts	
Revenue from external customers	\$ 14,731,513	\$ 1,715,852	\$ 916,018	\$ 35,989	\$ (916,018)	\$ -	\$ 16,483,354
Segment income (loss)	\$ 340,252	\$ 336,652	\$ 891,167	\$ (138,487)	\$ -	\$ -	\$ 1,429,584
Segment assets	\$ 1,351,725	\$ 1,403	\$ 16,371,045	\$ 31,055	\$ -	\$ 5,626,176	\$ 23,381,404

  

Item	Six Months Ended June 30, 2010						Total
	Vehicle Segment	Parts Segment	Investment Segment	Other Segment	Adjustment	Unappropriated Amounts	
Revenue from external customers	\$ 12,327,749	\$ 1,544,094	\$ 1,580,103	\$ 33,002	\$ (1,580,103)	\$ -	\$ 13,904,845
Segment income (loss)	\$ 190,482	\$ 316,404	\$ 1,545,549	\$ (163,519)	\$ -	\$ -	\$ 1,888,916
Segment assets	\$ 1,538,936	\$ 830	\$ 15,232,299	\$ 37,472	\$ -	\$ 3,755,605	\$ 20,565,142

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended June 30, 2011 and 2010.

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2011

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

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2011				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	-	\$ 11,708	-	\$ 11,708	
	<u>Beneficiary certificates</u>							
	Yuanta Greater China Small and Medium Cap Fund	-	Financial assets at fair value through profit or loss	800	8,000	-	7,632	
	Yuanta Emerging Bond Fund of Funds-accumulation	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,504	
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	6,878	99,978	-	100,099	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	16,995	240,000	-	241,471	
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss	10,848	140,000	-	140,816	
	Taishin Tycoon Fund	-	Financial assets at fair value through profit or loss	927	10,000	-	10,006	
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	10,293	140,000	-	140,392	
	Taishin North America Income Trust Fund	-	Financial assets at fair value through profit or loss	495	6,000	-	6,450	
	Taishin Lucky Money Market Fund	-	Financial assets at fair value through profit or loss	36,573	390,000	-	391,209	
	Taishin Emerging Europe Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	4,855	
	SinoPac Global Investment Grade Bond Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	19,924	
	SinoPac Asia Consumer Fund	-	Financial assets at fair value through profit or loss	578	8,000	-	7,808	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	5,867	70,000	-	70,522	
	ING Emerging Equities Umbrella Fund-Greater Russia Fund	-	Financial assets at fair value through profit or loss	653	7,000	-	6,838	
ING China Opportunities Fund	-	Financial assets at fair value through profit or loss	450	5,000	-	4,708		
ING I-2 Umbrella Fund-India Star Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	4,920		

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2011				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	ING Thailand Fund	-	Financial assets at fair value through profit or loss	67	\$ 2,000	-	\$ 1,837	
	ING Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss	3,191	50,000	-	50,037	
	Manulife Asia Pacific Mid and Small Cap Fund	-	Financial assets at fair value through profit or loss	609	7,000	-	7,228	
	Manulife Emerging Market High Yield Bond Fund	-	Financial assets at fair value through profit or loss	3,978	40,000	-	40,497	
	PCA Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss	2,927	30,000	-	29,997	
	PCA India Equity Fund	-	Financial assets at fair value through profit or loss	300	6,000	-	5,952	
	PCA Umbrella Fund-global Bond Fund of Fund	-	Financial assets at fair value through profit or loss	1,728	20,000	-	19,890	
	Prudential Financial Great China Fund	-	Financial assets at fair value through profit or loss	202	5,000	-	4,967	
	Prudential Financial China Brands Fund	-	Financial assets at fair value through profit or loss	800	8,000	-	7,864	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss	2,690	40,000	-	40,126	
	PineBridge Chindia Equity Fund	-	Financial assets at fair value through profit or loss	200	2,000	-	1,998	
	Cathay Oriental Bond Fund of Funds	-	Financial assets at fair value through profit or loss	2,000	20,000	-	19,973	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	994	170,000	-	170,410	
	FSITC Global High Yield Bond Fund	-	Financial assets at fair value through profit or loss	1,632	20,000	-	19,936	
	FSITC Leading Emerging Market Bond Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,338	
	KGI Victory Money Market Fund	-	Financial assets at fair value through profit or loss	4,493	50,000	-	50,096	
	KGI Tumbler Fund	-	Financial assets at fair value through profit or loss	12,884	130,000	-	131,359	
	Fuh Hwa Yu Li Money Market Fund	-	Financial assets at fair value through profit or loss	3,000	30,000	-	29,520	
	Fuh Hwa Global Commodity Fund	-	Financial assets at fair value through profit or loss	908	10,000	-	9,832	
	Fuh Hwa Global Short-Term Income Fund	-	Financial assets at fair value through profit or loss	933	10,000	-	10,045	
	Fuh Hwa Total Return	-	Financial assets at fair value through profit or loss	1,853	20,000	-	19,969	
	Fuh Hwa Strategic High Income Fund of Funds	-	Financial assets at fair value through profit or loss	867	10,000	-	9,931	
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss	24,593	340,000	-	341,920	

(Continued)



Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2011				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Fuh Hwa Emerging Market High Yield Bond Fund	-	Financial assets at fair value through profit or loss	2,000	\$ 20,000	-	\$ 20,207	
	Fuh Hwa Emerging Market Short-term Income Fund	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,041	
	Hua Nan Global Short Term Fixed Income Fund	-	Financial assets at fair value through profit or loss	1,746	20,000	-	19,699	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	22,386	349,982	-	350,729	
	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss	12,166	140,017	-	140,386	
	TIIM Money Market Fund	-	Financial assets at fair value through profit or loss	15,941	229,969	-	231,537	
	HSBC Asian High Yield Bond Fund - Accumulation	-	Financial assets at fair value through profit or loss	1,000	10,000	-	10,047	
	HSBC Resources Rich Countries Bond Fund-Distribution	-	Financial assets at fair value through profit or loss	1,001	10,000	-	10,190	
	Capital India and Brazil Equity Fund	-	Financial assets at fair value through profit or loss	202	2,000	-	2,024	
	Capital Strategic Income Fund	-	Financial assets at fair value through profit or loss	3,976	40,000	-	40,479	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	1,942	29,980	-	30,108	
	Capital Asia Pacific Medium and Small Cap Equity Fund	-	Financial assets at fair value through profit or loss	194	2,000	-	2,140	
	Capital Asian Fund	-	Financial assets at fair value through profit or loss	500	5,000	-	4,960	
	Capital Chinese Golden Age Equity Fund	-	Financial assets at fair value through profit or loss	293	3,000	-	3,094	
	Capital Chinese Best Choice Equity Fund - Number 1	-	Financial assets at fair value through profit or loss	3,965	40,000	-	40,915	
	Capital Emerging-Markets Fund	-	Financial assets at fair value through profit or loss	97	1,000	-	1,067	
	Capital Strategic Growth Fund	-	Financial assets at fair value through profit or loss	282	4,000	-	3,910	
	Allianz Global Investors Global Bond Fund	-	Financial assets at fair value through profit or loss	2,752	30,000	-	30,829	
	JF (Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	6,529	70,000	-	72,169	
	JPM (Taiwan) BRICS5 Fund	-	Financial assets at fair value through profit or loss	198	2,000	-	2,031	
	JPM (Taiwan) Emerging Markets Debt Fund - Accumulation Class	-	Financial assets at fair value through profit or loss	2,000	20,000	-	20,080	
	JPM (Taiwan) Global Natural Resources Leaders Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	9,440	
	JPM (Taiwan) Global Fund of Bond Funds	-	Financial assets at fair value through profit or loss	1,959	20,000	-	19,760	

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2011				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Union Money Market Fund	-	Financial assets at fair value through profit or loss	26,102	\$ 330,000	-	\$ 331,286	
	Polaris/P-shares Russell Greater China Large Cap Value Index Fund	-	Financial assets at fair value through profit or loss	244	3,000	-	2,925	
	Polaris/P-shares MSCI Brazil Index Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss	218	2,000	-	1,964	
	Polaris Global Wealthy Countries Bond Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss	3,974	40,000	-	41,426	
	Polaris/P-shares S&P GSCI Reduced Energy Index Futures Trust Fund	-	Financial assets at fair value through profit or loss	539	6,000	-	5,611	
	Polaris De- Bao Money Market Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss	6,951	80,000	-	80,264	
	MF Global Multi-Strategy Futures Trust Fund	-	Financial assets at fair value through profit or loss	674	7,000	-	6,856	
	Reliance Wealth Bond Fund	-	Financial assets at fair value through profit or loss	3,999	40,000	-	40,663	
	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	16,371,045	100.00	16,371,045	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\$ 569,667	100.00	US\$ 569,667	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 204	100.00	US\$ 204	Note 3
Jet Ford, Inc.	<u>Share certificates</u> Aeolus Xiangfan Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 69,449	16.55	US\$ 66,872	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 385,251	40.00	US\$ 384,213	Note 2
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 79,037	25.00	US\$ 79,037	Note 3
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,876	49.00	US\$ 7,876	Note 3
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 8,731	45.00	US\$ 8,731	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 1,048	49.00	US\$ 1,048	Note 3

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

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

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

(Concluded)

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

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

SIX MONTHS ENDED JUNE 30, 2011

(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> Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	24,778	\$ 360,000	17,900	\$ 260,084	\$ 260,022	\$ 62	6,878	\$ 99,978
	Taishin Lucky Money Market Fund	Financial assets at fair value through profit or loss	-	-	27,204	290,000	9,369	100,000	-	-	-	-	36,573	390,000
	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	234	40,000	760	130,000	-	-	-	-	994	170,000
	FSITC Global High Yield Bond Fund	Financial assets at fair value through profit or loss	-	-	4,432	50,038	5,783	70,000	8,583	104,436	100,038	4,398	1,632	20,000
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	35,182	550,000	12,796	200,060	200,018	42	22,386	349,982
	Union Money Market Fund	Financial assets at fair value through profit or loss	-	-	10,306	130,000	15,796	200,000	-	-	-	-	26,102	330,000

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

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2011

(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	\$ 13,571,292	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (1,711,314)	76	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	14,575,969	89	4 days after sales for parts 3 days after sales for vehicles	-	-	614,548	73	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	172,850	1	15 days after sales for parts Immediate payment for vehicles	-	-	5,208	1	-
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	170,605	1	15 days after sales for parts	-	-	7,934	1	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	145,313	1	Same as above	-	-	-	-	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	139,998	1	15 days after sales for parts 90 days after sales for vehicles	-	-	28,313	3	-
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	115,720	1	15 days after sales for parts Immediate payment for vehicles	-	-	176	-	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	114,674	1	15 days after sales for parts	-	-	-	-	-
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	110,384	1	Same as above	-	-	-	-	-
	Empower Motor Co., Ltd. Hui-Lian Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd. Equity-method investee of Yulon Motor Co., Ltd.	Sale Sale	110,046 108,136	1 -	Same as above Same as above	- -	- -	424 -	- -	- -

Note 1: Transaction terms are based on agreements.

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

**YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES**

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

**JUNE 30, 2011**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon	\$ 614,548	78.76	\$ -	-	\$ 614,548	\$ -

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2011  
(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				June 30, 2011	December 31, 2010	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	\$ 16,371,045	\$ 916,018	\$ 916,018	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\$ 57,171	71,772	100.00	US\$ 569,667	US\$ 31,514	US\$ 31,514	Note 2
				US\$ 200	US\$ 200	1,100	100.00	US\$ 204	US\$ -	US\$ -	Note 3
Jet Ford, Inc.	Aeolus Xiangfan Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 69,449	US\$ 18,395	US\$ 2,835	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 16,941	US\$ 16,941	-	40.00	US\$ 385,251	US\$ 58,104	US\$ 22,521	Note 2
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and selling of parts and vehicles and related services	US\$ 10,890	US\$ 10,890	-	25.00	US\$ 79,037	US\$ 22,938	US\$ 5,734	Note 3
	Dong Feng Yulon Motors Sales Co., Ltd.	Hubei (Mainland China)	Selling of parts, repair and maintenance of vehicles, and related services	US\$ 5,922	US\$ 5,922	-	49.00	US\$ 7,876	US\$ (112)	US\$ (55)	Note 3
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US\$ 1,125	US\$ 1,125	-	45.00	US\$ 8,731	US\$ (134)	US\$ (60)	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Guangdong (Mainland China)	Valuation, purchase, renovation, rent and selling of used cars.	US\$ 593	US\$ 593	-	49.00	US\$ 1,048	US\$ 163	US\$ 80	Note 3

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

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

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

## YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA  
SIX MONTHS ENDED JUNE 30, 2011

(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2011	Accumulated Inward Remittance of Earnings as of June 30, 2011
					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%	\$ 82,416 (US\$ 2,835)	\$ 1,994,929 (US\$ 69,449)	\$ -
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%	654,703 (US\$ 22,521)	11,066,328 (US\$ 385,251)	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%	166,705 (US\$ 5,734)	2,270,351 (US\$ 79,037)	-
Dong Feng Yulon Motors Sales Co., Ltd.	Selling of parts, repair and maintenance of vehicles, and related services	383,000 (RMB 100,000)	Note 1	187,787 (US\$ 5,922)	-	-	187,787 (US\$ 5,922)	49.00%	(1,589) (US\$ -55)	226,249 (US\$ 7,876)	-
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%	(1,750) (US\$ -60)	250,784 (US\$ 8,731)	-
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%	2,316 (US\$ 80)	30,093 (US\$ 1,048)	-

Accumulated Investment in Mainland China as of June 30, 2011	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)	\$10,050,001

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

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

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