

Yulon Nissan Motor Company, Ltd.

**Financial Statements for the
Three Months Ended March 31, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Yulon Nissan Motor Company, Ltd. as of March 31, 2009 and 2008, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as described in the third paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Standards for the Review of Financial Statements", of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 9 to the financial statements, the carrying values of the long-term investments accounted for by the equity method as of March 31, 2009 and 2008, which amounted to \$13,385,915 thousand and \$10,462,523 thousand, respectively, and the related investment income for the three months then ended, which amounted to \$619,918 thousand and \$319,992 thousand, respectively, were based on the investees' unreviewed financial statements.

Based on our reviews, except for such adjustments, if any, as might have been determined to be necessary had the investment information mentioned in the third paragraph and the related information in the notes to financial statements been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". On January 1, 2008, the Company adopted the interpretation issued by the Accounting Research and Development Foundation of the Republic of China, which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors. These bonuses were previously recorded as appropriations from earnings.

April 16, 2009

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD.

BALANCE SHEETS

MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 388,105	2	\$ 680,394	4	Short-term loans (Note 12)	\$ 300,000	2	\$ -	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	234,268	1	946,085	6	Notes and accounts payable	61,009	-	20,488	-
Notes and accounts receivable (Notes 2 and 6)	35,079	-	39,789	-	Notes and accounts payable - related parties (Note 20)	519,588	3	549,739	3
Notes and accounts receivable - related parties (Note 20)	578,922	3	774,269	5	Income tax payable (Notes 2 and 16)	87,262	1	55,474	1
Other financial assets (Note 7)	60,855	1	93,755	1	Accrued expenses (Note 13)	176,500	1	435,198	3
Prepayments	17,605	-	15,968	-	Other current liabilities	84,795	-	46,137	-
Deferred income tax assets, net (Notes 2 and 16)	6,734	-	84,156	-					
Other current assets	96,773	1	110,798	1	Total current liabilities	1,229,154	7	1,107,036	7
Total current assets	1,418,341	8	2,745,214	17	OTHER LIABILITIES				
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	13,385,915	74	10,462,523	63	Accrued pension liabilities (Notes 2 and 17)	407,378	2	378,894	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)					Deferred income tax liabilities, net (Notes 2 and 16)	680,118	4	766,952	5
Cost					Warranty (Note 2)	67,245	-	93,284	-
Machinery and equipment	49,445	-	46,965	-					
Transportation equipment	24,224	-	23,102	-	Total other liabilities	1,154,741	6	1,239,130	7
Tools	3,565	-	3,565	-	Total liabilities	2,383,895	13	2,346,166	14
Other equipment	228,222	1	218,402	2	STOCKHOLDERS' EQUITY (Notes 2 and 14)				
Leasehold improvement	8,836	-	11,264	-	Capital stock - \$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand shares	3,000,000	17	3,000,000	18
Total cost	314,292	1	303,298	2	Capital surplus				
Less accumulated depreciation	221,400	1	194,715	1	Excess from spin-off	5,986,507	33	5,986,507	36
	92,892	-	108,583	1	Gains on long-term investments	2,461	-	2,461	-
Prepayments for equipment	1,666	-	5,038	-	Total capital surplus	5,988,968	33	5,988,968	36
Property, plant and equipment, net	94,558	-	113,621	1	Retained earnings				
OTHER ASSETS					Legal reserve	977,573	6	830,441	5
Refundable deposits	3,975	-	4,141	-	Special reserve	379,840	2	379,840	3
Deferred charges (Notes 2 and 11)	3,226,300	18	3,229,578	19	Unappropriated earnings	3,325,682	18	3,487,219	21
Total other assets	3,230,275	18	3,233,719	19	Total retained earnings	4,683,095	26	4,697,500	29
					Cumulative translation adjustments	2,073,131	11	522,443	3
TOTAL	\$18,129,089	100	\$16,555,077	100	Total stockholders' equity	15,745,194	87	14,208,911	86
					TOTAL	\$18,129,089	100	\$16,555,077	100

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

(With Deloitte & Touche review report dated April 16, 2009)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
SALES (Note 20)	\$ 3,851,117	100	\$ 7,039,123	100
LESS: SALES RETURNS	1,595	-	2,449	-
SALES ALLOWANCES	<u>9,052</u>	<u>-</u>	<u>394</u>	<u>-</u>
NET SALES	3,840,470	100	7,036,280	100
COST OF SALES (Note 20)	<u>3,703,956</u>	<u>96</u>	<u>6,314,169</u>	<u>90</u>
GROSS PROFIT	<u>136,514</u>	<u>4</u>	<u>722,111</u>	<u>10</u>
OPERATING EXPENSES (Note 20)				
Marketing and selling	388,835	10	543,593	8
General and administrative	66,145	2	84,830	1
Research and development	<u>108,405</u>	<u>3</u>	<u>150,757</u>	<u>2</u>
Total operating expenses	<u>563,385</u>	<u>15</u>	<u>779,180</u>	<u>11</u>
OPERATING LOSS	<u>(426,871)</u>	<u>(11)</u>	<u>(57,069)</u>	<u>(1)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	619,918	16	319,992	5
Interest income	1,378	-	6,554	-
Gain from evaluation of financial assets	234	-	-	-
Gain on sale of investments, net	136	-	-	-
Others (Note 20)	<u>3,600</u>	<u>-</u>	<u>3,543</u>	<u>-</u>
Total nonoperating income and gains	<u>625,266</u>	<u>16</u>	<u>330,089</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss	1,814	-	63,042	1
Interest expense (Note 20)	430	-	429	-
Loss on disposal of property, plant and equipment	-	-	16	-
Loss on sale of investments, net	-	-	14,185	-
Loss from valuation of financial assets	-	-	4,394	-
Others (Note 20)	<u>12,701</u>	<u>-</u>	<u>13,628</u>	<u>-</u>
Total nonoperating expenses and losses	<u>14,945</u>	<u>-</u>	<u>95,694</u>	<u>1</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 183,450	5	\$ 177,326	3
INCOME TAX BENEFIT (Notes 2 and 16)	<u>77,624</u>	<u>2</u>	<u>33,115</u>	<u>-</u>
NET INCOME	<u>\$ 261,074</u>	<u>7</u>	<u>\$ 210,441</u>	<u>3</u>
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
BASIC EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 0.61</u>	<u>\$ 0.87</u>	<u>\$ 0.59</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.61</u>	<u>\$ 0.87</u>	<u>\$ 0.59</u>	<u>\$ 0.70</u>

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

(With Deloitte & Touche review report dated April 16, 2009)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 261,074	\$ 210,441
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	138,653	211,118
Loss (gain) on sale of investments, net	(136)	14,185
Equity in net income of investees	(619,918)	(319,992)
Loss (gain) from evaluation of financial assets	(234)	4,394
Loss on disposal of property, plant and equipment	-	16
Deferred income taxes	(77,624)	(33,115)
Provision for pension costs	7,051	1,412
Provision for warranty liabilities	(2,707)	2,602
Loss on inventory purchase commitment	(848)	1,634
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(233,898)	(258,473)
Notes and accounts receivable	(6,325)	(7,938)
Notes and accounts receivable - related parties	7,824	365,095
Other financial assets	1,043	205
Inventories	-	132,953
Prepayments	7,909	32,939
Other current assets	(25,009)	12,044
Notes and accounts payable	16,623	(79,585)
Notes and accounts payable - related parties	(135,930)	(1,250,390)
Accrued expenses	(146,432)	(93,132)
Other current liabilities	<u>9,160</u>	<u>5,871</u>
Net cash used in operating activities	<u>(799,724)</u>	<u>(1,047,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,245)	(2,353)
Decrease in refundable deposits	1,890	299
Increase in deferred charges	<u>(161,678)</u>	<u>(91,488)</u>
Net cash used in investing activities	<u>(166,033)</u>	<u>(93,542)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	<u>300,000</u>	<u>-</u>
NET DECREASE IN CASH	(665,757)	(1,141,258)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>1,053,862</u>	<u>1,821,652</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 388,105</u>	<u>\$ 680,394</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 408</u>	<u>\$ 429</u>
Income tax	<u>\$ 163</u>	<u>\$ 120</u>

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

(With Deloitte & Touche review report dated April 16, 2009)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

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 March 31, 2009 and 2008, the Company had 477 and 497 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (“ROC”). In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, 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 financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalent

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

Financial Instruments at Fair Value Through Profit or Loss

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

Inventories

Cost of inventories is calculated by applying moving average method. Before January 1, 2009, inventories were stated at the lower of weighted-average cost or market value. Any write-down was made on a total-inventory basis. Market value meant net realizable value. Effective January 1, 2009, inventories are stated at the lower of weighted-average cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Cost of sales includes the cost of inventories sold, warranty cost, loss on inventory purchase commitment, write-downs of inventories to net realizable value and any reversal of write-downs.

Long-term Equity Investments

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

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

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

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

Property, Plant and Equipment

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

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

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

Deferred Charges

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

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

Pensions

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

Warranty

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

Income Tax

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

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

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

Income tax (10%) on the undistributed earnings is recorded as expense in the year when the stockholders have resolved that the earnings should be retained.

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 accounted for by the equity method is treated as cumulative translation adjustment under stockholders' equity; and
- b. Other assets and liabilities is treated as credits or charges to current income.

3. REASON AND EFFECT OF THE CHANGES OF ACCOUNTING PRINCIPLE

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) inventory-related expenses and losses are recorded as cost of sales for the period. The change in accounting principle had no effect on net income for the three months ended March 31, 2009. For comparison purposes, the Company reclassified operating expenses of \$15,069 thousand and nonoperating expenses and losses of \$1,634 thousand to cost of sales for the three months ended March 31, 2008.

In March 2007, the Accounting Research and Development Foundation of the Republic of China issued the interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 20	\$ -
Checking accounts and demand deposits	162,677	647,305
Time deposits, annual yield rate - 0.29%-3.00%	200,000	-
Foreign-currency demand deposits	<u>18,624</u>	<u>33,089</u>
	381,321	680,394
Cash equivalents		
Foreign commercial papers, annual yield rate - 1.30%	<u>6,784</u>	<u>-</u>
	<u>\$ 388,105</u>	<u>\$ 680,394</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Financial assets held for trading		
Mutual funds	\$ <u>234,268</u>	\$ <u>946,085</u>

There were a net gain of \$370 thousand and a net loss of \$18,579 thousand on financial assets held for trading for the three months ended March 31, 2009 and 2008, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Notes receivable	\$ 279	\$ 3,478
Accounts receivable	<u>34,800</u>	<u>36,311</u>
	<u>\$ 35,079</u>	<u>\$ 39,789</u>

7. OTHER FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Tax refund receivable	\$ 33,339	\$ 70,349
Receivable from sale of securities	15,193	-
Lease receivable	8,786	20,788
Interest receivable	713	-
Others	<u>2,824</u>	<u>2,618</u>
	<u>\$ 60,855</u>	<u>\$ 93,755</u>

8. INVENTORIES

The cost of inventories recognized as cost of sales during the three months ended March 31, 2009 was \$3,703,956 thousand, which included warranty cost of \$20,768 thousand and loss on inventory purchase commitment of \$848 thousand. The cost of inventories recognized as cost of sales during the three months ended March 31, 2008 was \$6,314,169 thousand, which included warranty cost of \$15,069 thousand and loss on inventory purchase commitment of \$1,634 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	<u>March 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Yi-Jan Overseas Investment Co., Ltd.	<u>\$13,385,915</u>	100	<u>\$10,462,523</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 March 31, 2008
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 inquires selling prices of motor parts and engages in commission-based businesses.

The carrying values of the long-term investments accounted for by the equity method as of March 31, 2009 and 2008, which amounted to \$13,385,915 thousand and \$10,462,523 thousand, respectively, and the related investment income for the three months then ended, which amounted to \$619,918 thousand and \$319,992 thousand, respectively, were based on the investees' unreviewed financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

	<u>March 31</u>	
	2009	2008
Accumulated depreciation		
Machinery and equipment	\$ 42,510	\$ 39,603
Transportation equipment	14,523	11,449
Tools	2,716	2,370
Other equipment	159,002	137,993
Leasehold improvement	<u>2,649</u>	<u>3,300</u>
	<u>\$ 221,400</u>	<u>\$ 194,715</u>

Depreciation of property, plant and equipment amounted to \$8,620 thousand and \$7,752 thousand for the three months ended March 31, 2009 and 2008, respectively.

11. DEFERRED CHARGES

	<u>March 31</u>	
	2009	2008
Costs of molds	\$ 2,673,244	\$ 2,602,837
Dies	509,337	548,674
Computer software	<u>43,719</u>	<u>78,067</u>
	<u>\$ 3,226,300</u>	<u>\$ 3,229,578</u>

Amortization of deferred charges amounted to \$130,033 thousand and \$203,366 thousand for the three months ended March 31, 2009 and 2008, respectively.

12. SHORT-TERM LOANS

The short-term loans were credit loans from Hua Nan Bank with annual interest rate of 1.3% as of March 31, 2009.

13. ACCRUED EXPENSES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Promotion expenses	\$ 62,664	\$ 236,287
Wages and bonuses	52,335	97,502
Others	<u>61,501</u>	<u>101,409</u>
	<u>\$ 176,500</u>	<u>\$ 435,198</u>

14. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

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

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

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

Based on past experience, the bonus to the Company's employees for three months ended March 31, 2009 was calculated at 1% of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Company's employees for three months ended March 31, 2008 was calculated at 3.91% of net income net of the 10% deduction for legal reserve.

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

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

Under the Securities and Exchange Act, where the Securities and Futures Bureau of Financial Supervisory Commission of the Executive Yuan deems necessary, an amount equal to the net debit balance of certain 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 2008 earnings proposed by the board of directors on March 26, 2009 and the distribution of the 2007 earnings of the Company approved by the stockholders on June 20, 2008 were as follows:

	Appropriation of Earnings		Earnings Per Share	
	2008	2007	2008	2007
Legal reserve	\$ 50,432	\$ 147,132		
Cash dividend	-	510,000	\$ -	\$ 1.70
Employee bonus (cash)	-	59,360		

The board of directors also proposed the 2008 employee bonus (cash) distribution amount to 9,528 thousand on March 26, 2009.

As of April 16, 2009, the date of the accompanying independent accountants' review report, the distribution of the 2008 earnings had not been approved by stockholders. Information about the appropriations and distribution of the 2008 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

15. TECHNICAL COOPERATION AGREEMENT

The Company had a technical cooperation agreement (the "TCA") with Nissan. The TCA required the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$65,349 thousand and \$114,730 thousand for the three months ended March 31, 2009 and 2008, respectively, were recorded under costs of sales.

16. INCOME TAX

- a. The reconciliation between income tax expense computed by applying the statutory income tax rate of 25% to income before income tax and income tax payable was as follows:

	Three Months Ended	
	March 31	
	2009	2008
Income tax expense computed on the basis of income before income tax at statutory tax rate of 25%	\$ 45,863	\$ 44,332
Add (deduct) tax effects of:		
Permanent differences	(137,954)	(75,349)
Temporary differences	(10,266)	1,437
Loss carryforwards	<u>102,357</u>	<u>29,580</u>
Income tax payable	<u>\$ -</u>	<u>\$ -</u>

The balance of income tax payable shown on the balance sheets as of March 31, 2009 and 2008 was income tax payable of previous years.

Income tax returns through 2006 had been examined by the tax authorities. But the Company disagreed with the examination result on its 2006 and 2005 returns and thus requested the tax authorities for a reexamination of the returns.

- b. Income tax benefit consisted of the following:

	Three Months Ended	
	March 31	
	2009	2008
Income tax payable	\$ -	\$ -
Deferred income tax	<u>(77,624)</u>	<u>(33,115)</u>
Income tax benefit	<u>\$ (77,624)</u>	<u>\$ (33,115)</u>

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

	March 31	
	2009	2008
Current		
Loss on inventory purchase commitment	\$ 8,430	\$ 2,522
Unrealized foreign exchange loss (gain)	(1,696)	788
Investment tax credits	-	51,266
Loss carryforwards	<u>-</u>	<u>29,580</u>
Net deferred income tax assets	<u>\$ 6,734</u>	<u>\$ 84,156</u>
Noncurrent		
Investment tax credits	\$ 196,597	\$ 85,824
Loss carryforwards	179,965	-
Provision for pension	101,831	95,735
Provision for warranty	16,811	23,321
Equity in net income of overseas subsidiaries	<u>(1,175,322)</u>	<u>(971,832)</u>
Net deferred income tax liabilities	<u>\$ (680,118)</u>	<u>\$ (766,952)</u>

As of March 31, 2009, investment tax credits comprised of:

Tax Credit Item	Total Creditable Amount	Unused Creditable Amount	Expiry Year
Research and development expenditures	\$ 10,336	\$ 10,336	2013

The Company's investment plans, which focus on investments in areas with scanty natural resources and slow development defined under the Statute for Upgrading Industries, were granted by the county government. The Company filed the application of this grant as tax incentive. As of March 31, 2009, the amount invested in the investment plans totaled \$931,303 thousand, with investment tax credits amount of \$186,261 thousand. The plans are expected to be completed by September, 2009. The expiry year of the tax credit is 2013.

As of March 31, 2008, loss carryforwards comprised of:

Tax Credit Item	Total Amount	Unused Amount	Expiry Year
Loss carryforwards	\$ 77,608	\$ 77,608	2018
Loss carryforwards	102,357	102,357	2019

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

	<u>March 31</u>	
	2009	2008
Balance of imputation credit account ("ICA")	<u>\$ 385,898</u>	<u>\$ 399,573</u>

The estimated ICA rate for the 2008 earnings and the actual ICA rate for the 2007 earnings were 13.78% and 12.33%, respectively.

The credit available for allocation to the stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate for the 2008 earnings may differ from the actual rate depending on the ICA balance on the dividend distribution date.

17. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan was \$2,571 thousand and \$2,460 thousand for the three months ended March 31, 2009 and 2008, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,707 thousand and \$1,636 thousand as of March 31, 2009 and 2008, respectively.

19. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>			<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Shares (Denominator) (Thousands)</u>	<u>Income Before Tax</u>	<u>Net Income</u>
<u>Three months ended March 31, 2009</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 183,450	\$ 261,074	300,000	<u>\$ 0.61</u>	<u>\$ 0.87</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>253</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 183,450</u>	<u>\$ 261,074</u>	<u>300,253</u>	<u>\$ 0.61</u>	<u>\$ 0.87</u>
	<u>Amounts (Numerator)</u>			<u>EPS (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Shares (Denominator) (Thousands)</u>	<u>Income Before Tax</u>	<u>Net Income</u>
<u>Three months ended March 31, 2008</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 177,326	\$ 210,441	300,000	<u>\$ 0.59</u>	<u>\$ 0.70</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>70</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 177,326</u>	<u>\$ 210,441</u>	<u>300,070</u>	<u>\$ 0.59</u>	<u>\$ 0.70</u>

The ARDF 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 of the shares at the balance sheet date. Such dilutive effect of the potential shares needs 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.

20. RELATED-PARTY TRANSACTIONS

The Company had business transactions with the following related parties:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Nissan Motor Corporation (“Nissan”)	Parent company
PT. Nissan Motor Indonesia (NMI)	Equity-method investee of Nissan
Siam Nissan Automobile Co., Ltd.	Same as above
Nissan Trading Co., Ltd.	Same as above
Nissan Mexicana, S.A. De C.V.	Same as above
Nissan S.A.(Pty) Ltd.	Same as above
Nissan Motor Egypt S.A.E.	Same as above
Nissan Motor India Private Ltd.	Same as above
Nissan Motor Iberica, S.A.	Same as above
Nissan Trading Europe Ltd.	Same as above
Nissan Motor Light Truck 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.	Same as above
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
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
Yulon Motor Co., Ltd. (“Yulon”)	Equity-method investor of the Company
Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.
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
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Union & NKH 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
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
China Motor Corporation	Equity-method investee of Yulon Motor Co., Ltd.
Uni Calsonic Corporation	Same as above
Yu Chang Motor Co., Ltd.	Same as above
China Ogihara Corporation	Same as above
Yuan Lon Motor Co., Ltd.	Same as above
Chen Long Co., Ltd.	Same as above
Chi Ho Corporation	Same as above
Yu Tang Motor Co., Ltd.	Same as above

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinjang Co., Ltd.	Same as above
Tokio Marine Newa Insurance Co., Ltd.	Same as above
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Same as above
Hui-Lian Motor Co.	Same as above
China Engine Corporation	Same as above
Luxgen 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.	Same as above
Yu Pool Co., Ltd.	Subsidiary of Yushin Motor Co., Ltd.
Shou Li Deng, Ltd.	Subsidiary of Chi Long Motor Co., Ltd.
Yu-Jan Co., Ltd.	Subsidiary of Yu Sing Motor Co., Ltd.
Nissan Motor Philippines, Inc. (NMPI) Taiway, Ltd.	Equity-method investee of Yulon Motor Co., Ltd. Same as above
Yu Chia Motor Co., Ltd.	Same as above
Lev Vian Enterprise Co., Ltd.	Same as above
Ding Long Motor Co., Ltd.	Equity-method investee of Yu Sing Motor Co., Ltd.
Lian Cheng Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
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.
Sinboun Travel Service Co., Ltd.	Substantial related party of Yulon Motor Co., Ltd.
Kian Shen Corporation	Same as above
Tsung Ho Enterprise Co., Ltd.	Subsidiary of Chi Ho Corporation
Y. M. Hi-Tech Industry	Subsidiary of China Ogihara Corporation
Hsieh Kuan Manpower Service Co., Ltd.	Subsidiary 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:

	<u>Three Months Ended March 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 3,065,754	81	\$ 5,093,970	74
Yuan Lon Motor Co., Ltd.	70,009	2	77,223	1
Yu Sing Motor Co., Ltd.	69,640	2	80,531	1
Chen Long Co., Ltd.	59,093	2	587,583	8
Chi Ho Corporation	55,715	1	101,121	2
Empower Motor Co., Ltd.	54,315	1	55,139	1
Yu Chang Motor Co., Ltd.	52,236	1	56,525	1
Yushin Motor Co., Ltd.	48,713	1	63,639	1
Yu Tang Motor Co., Ltd.	48,673	1	55,051	1

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Hui-Lian Motor Co.	\$ 45,181	1	\$ 48,974	-
Chi Long Motor Co., Ltd.	30,600	1	35,549	-
Nissan Mexicana, S.A. De C.V.	-	-	395,777	6
Others	<u>99,645</u>	<u>4</u>	<u>135,214</u>	<u>2</u>
	<u>\$ 3,699,574</u>	<u>98</u>	<u>\$ 6,786,296</u>	<u>98</u>

2) Operating revenue - service revenue

Nissan	\$ <u>62,047</u>	<u>100</u>	\$ <u>130,161</u>	<u>100</u>
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The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts.

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Yulon	\$ 4,577	72	\$ -	-
Zhengzhou Nissan Automobile Co., Ltd.	1,126	18	10,466	80
Others	<u>233</u>	<u>3</u>	<u>232</u>	<u>2</u>
	<u>\$ 5,936</u>	<u>93</u>	<u>\$ 10,698</u>	<u>82</u>

3) Operating revenue - other

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

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
Yulon	\$ 3,493,284	99	\$ 5,855,084	99
Ler Vian Enterprise Co., Ltd.	14	-	-	-
Yu Pool Co., Ltd.	<u>-</u>	<u>-</u>	<u>1,028</u>	<u>-</u>
	<u>\$ 3,493,298</u>	<u>99</u>	<u>\$ 5,856,112</u>	<u>99</u>

4) Operating cost - purchase

5) Operating cost - Technical Cooperation Agreement (TCA)

Nissan	\$ <u>65,349</u>	<u>100</u>	\$ <u>114,730</u>	<u>100</u>
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	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
6) Operating expenses - rental				
Yulon	\$ 9,211	54	\$ 11,118	47
Ka-Plus Automobile Leasing Co., Ltd.	1,648	10	1,987	8
Taiwan Acceptance Corporation	1,492	9	1,475	6
Hsieh Kuan Manpower Service Co., Ltd.	822	5	1,065	4
Others	<u>19</u>	<u>-</u>	<u>208</u>	<u>1</u>
	<u>\$ 13,192</u>	<u>78</u>	<u>\$ 15,853</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 building is used for the purpose of research and development. The Company leases cars, as needed for its executives, from Ka-Plus Automobile Leasing Co., Ltd. and Taiwan Acceptance Corporation, and pay the rental expenses monthly. Hsieh Kuan Manpower Service Co., Ltd. provides the company driving service for its executives and charges the payment monthly.

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 57,427	15	\$ 10,953	2
Yu Sing Motor Co., Ltd.	47,617	12	42,986	8
Yuan Lon Motor Co., Ltd.	36,464	9	28,180	5
Empower Motor Co., Ltd.	26,655	7	24,666	5
Yu Chang Motor Co., Ltd.	23,143	6	25,595	5
Chen Long Co., Ltd.	22,851	6	30,839	6
Hui-Lian Motor Co.	21,576	6	18,320	3
Yu Tang Motor Co., Ltd.	21,532	6	22,379	4
Yushin Motor Co., Ltd.	20,017	5	19,028	4
Chi Ho Corporation	18,945	5	29,698	5
Others	<u>44,542</u>	<u>11</u>	<u>103,204</u>	<u>18</u>
	<u>\$ 340,769</u>	<u>88</u>	<u>\$ 355,848</u>	<u>65</u>

8) Operating expenses - research and development expense				
Hsiang Shou Enterprise Co., Ltd.	\$ 6,334	6	\$ 4,505	3
Yulon	4,572	4	2,842	2
Others	<u>51</u>	<u>-</u>	<u>1,408</u>	<u>1</u>
	<u>\$ 10,957</u>	<u>10</u>	<u>\$ 8,755</u>	<u>6</u>

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

	Three Months Ended March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - general and administrative expense				
Yulon	\$ 2,407	4	\$ 369	-
Sinboun Travel Service Co., Ltd.	1,257	2	1,173	1
Others	<u>3,690</u>	<u>5</u>	<u>3,673</u>	<u>5</u>
	<u>\$ 7,354</u>	<u>11</u>	<u>\$ 5,215</u>	<u>6</u>
10) Nonoperating income - others				
Tokio Marine Nawa Insurance Co., Ltd.	\$ 1,260	35	\$ 1,057	30
Others	<u>45</u>	<u>1</u>	<u>819</u>	<u>23</u>
	<u>\$ 1,305</u>	<u>36</u>	<u>\$ 1,876</u>	<u>53</u>
11) Nonoperating expenses - others				
Yulon	\$ 5,184	41	\$ 5,125	38
Sinjang Co., Ltd.	1,991	15	1,807	13
Hui-Lian Motor Co.	1,137	9	-	-
Tokio Marine Nawa Insurance Co., Ltd.	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>10</u>
	<u>\$ 8,312</u>	<u>65</u>	<u>\$ 8,342</u>	<u>61</u>
	March 31			
	2009		2008	
	Amount	% to Total	Amount	% to Total
12) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 332,495	57	\$ 177,107	23
NMPI	85,398	15	133,479	17
Nissan	74,856	13	187,161	24
Nissan Mexicana, S.A. De C.V.	14,889	3	125,098	16
Others	<u>71,284</u>	<u>12</u>	<u>151,424</u>	<u>20</u>
	<u>\$ 578,922</u>	<u>100</u>	<u>\$ 774,269</u>	<u>100</u>
13) Notes and accounts payable - related parties				
Yulon	\$ 317,433	61	\$ 324,045	59
Nissan	66,819	13	118,360	21
Taiwan Acceptance Corporation	55,467	11	18,730	3
Others	<u>79,869</u>	<u>15</u>	<u>88,604</u>	<u>17</u>
	<u>\$ 519,588</u>	<u>100</u>	<u>\$ 549,739</u>	<u>100</u>

- 14) The Company sold to Taiwan Acceptance Corporation accounts receivable amounting to \$397,723 thousand and \$506,578 thousand for the three months ended March 31, 2009 and 2008, 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 paid to Taiwan Acceptance Corporation arising from selling accounts receivable were \$260 thousand and \$4,252 thousand for the three months ended March 31, 2009 and 2008, respectively.

21. SIGNIFICANT COMMITMENTS

As of March 31, 2009, significant commitments and contingencies of the Company were as follows:

- a. a. The Company has a five-year manufacturing contract with Yulon from November 1, 2003 to October 31, 2008. The contract will be automatically extended for another one year unless either party issues a notice to terminate the contract at least three months before expiry. The contract states that the Company authorizes Yulon to manufacture Nissan automobiles and parts, and the Company is responsible for the subsequent development of new automobile parts. The manufacturing volume of Yulon under the contract should correspond to the Company's sales projection for the year. In addition, the Company has authorized Yulon as the original equipment manufacturer ("OEM") of automobile parts and after-sales service. As of March 31, 2009, both parties had not received a notice of termination; therefore, the contract is automatically extended for one year.

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 leases building of research and development 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)
2nd to 4th of 2009	\$ 10,643
2010	14,191
2011	14,191
2012	14,191
2013 and after	65,042

22. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 388,105	\$ 388,105	\$ 680,394	\$ 680,394
Financial assets at fair value through profit or loss	234,268	234,268	946,085	946,085
Notes and accounts receivable	35,079	35,079	39,789	39,789

(Continued)

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes and accounts receivable - related parties	\$ 578,922	\$ 578,922	\$ 774,269	\$ 774,269
Other financial assets	60,855	60,855	93,755	93,755
Long-term equity investments	13,385,915	13,385,915	10,462,523	10,462,523
Refundable deposits	3,975	3,975	4,141	4,141
Liabilities				
Short-term loans	300,000	300,000	-	-
Notes and accounts payable	61,009	61,009	20,488	20,488
Notes and accounts payable - related parties	519,588	519,588	549,739	549,739
Income tax payable	87,262	87,262	55,474	55,474
Accrued expenses	176,500	176,500	435,198	435,198
Accrued pension liabilities	407,378	407,378	378,894	378,894

(Concluded)

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

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

c. Fair value of financial instruments was as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	March 31		March 31	
	2009	2008	2009	2008
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 234,268	\$ 739,322	\$ -	\$ 206,763

d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were \$5,986 thousand for the three months ended March 31, 2008.

e. Information about financial risks

1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

23. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real 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. 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 sales; the balance and percentage of related accounts payable: None

- b) Amount and percentage of purchase; the balance and percentage of related accounts receivable:
None
- c) Gain (loss) on and amounts of asset: None
- d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged:
None
- e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
- f) Other transactions which have significant influence over current year's gain or loss or financial status: None

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

MARCH 31, 2009

(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	March 31, 2009				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> Polaris assets RP		Cash and cash equivalents	-	\$ 6,784	-	\$ 6,784	
	<u>Beneficiary certificates</u> Yuanta Wan Tai Bond Fund	-	Financial assets at fair value through profit or loss	2,772	40,018	-	40,053	
	Jin Sun Bond Fund	-	Financial assets at fair value through profit or loss	2,133	30,000	-	30,037	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss	3,114	40,000	-	40,051	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss	3,753	54,016	-	54,053	
	PCA Well Pool Fund	-	Financial assets at fair value through profit or loss	1,545	20,000	-	20,024	
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	4,200	50,000	-	50,050	
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	13,385,915	100.00	13,385,915	Note 2
	<u>Stock</u> Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 394,476	100.00	US\$ 394,476	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 212	100.00	US\$ 212	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\$ 33,432	16.55	US\$ 30,090	Note 2
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 289,295	40.00	US\$ 285,107	Note 2
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 56,795	25.00	US\$ 56,795	Note 2
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,363	49.00	US\$ 7,363	Note 2
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 6,114	45.00	US\$ 6,114	Note 2
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 742	49.00	US\$ 742	Note 2

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

Note 2: Recognition of investment gains (losses) was calculated based on the unreviewed financial statements.

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEES

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

THREE MONTHS ENDED MARCH 31, 2009

(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.	Beneficiary certificates Yuanta Wan Tai Bond Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	14,546	\$ 210,000	11,774	\$ 170,032	\$ 169,982	\$ 50	2,772	\$ 40,018

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
THREE MONTHS ENDED MARCH 31, 2009
(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	\$ 3,493,284	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (289,624)	74	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	3,065,754	81	4 days after sales for parts 3 days after sales for vehicles	-	-	325,503	54	-

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 INVESTEES

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

MARCH 31, 2009

(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 Motor Co., Ltd.	\$ 332,495	52.24	\$ -	-	\$ 332,495	\$ -

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

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

THREE MONTHS ENDED MARCH 31, 2009

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1 and 2)	Note
				Mar. 31, 2009	Dec. 31, 2008	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	\$ 13,385,915	\$ 619,918	\$ 619,918	
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\$ 394,476	US\$ 18,256	US\$ 18,256	
				US\$ 200	US\$ 200	1,100	100.00	US\$ 212	US\$ 2	US\$ 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\$ 33,432	US\$ 9,330	US\$ 1,444	
	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\$ 289,295	US\$ 41,084	US\$ 16,088	
	Aeolus Automobile Co., Ltd.	Guangdong (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 10,890	US\$ 10,890	-	25.00	US\$ 56,795	US\$ 3,646	US\$ 911	
	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\$ 7,363	US\$ 12	US\$ 6	
	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\$ 6,114	US\$ (385)	US\$ (173)	
	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\$ 742	US\$ (42)	US\$ (20)	

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

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

YULON NISSAN MOTOR COMPANY LTD. AND INVESTEEES

INVESTMENT IN MAINLAND CHINA

THREE MONTHS ENDED MARCH 31, 2009

(In Thousands of New Taiwan Dollars, US 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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2009	Accumulated Inward Remittance of Earnings as of March 31, 2009
					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%	\$ 49,029 (US\$ 1,444)	\$ 1,133,693 (US\$ 33,432)	\$ -
Guangzhou Aeolus Automobile Co., Ltd.	Developing and manufacturing of parts and vehicles and related services	1,991,600 (RMB 520,000)	Note 1	537,199 (US\$ 16,941)	-	-	537,199 (US\$ 16,941)	40.00%	546,347 (US\$ 16,088)	9,809,990 (US\$ 289,295)	483,333 (US\$ 15,600)
Aeolus Automobile Co., Ltd.	Developing and manufacturing 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%	30,953 (US\$ 911)	1,925,908 (US\$ 56,795)	-
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%	196 (US\$ 6)	249,679 (US\$ 7,363)	-
Shenzhen Lan You Technology Co., Ltd.	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	57,450 (RMB 15,000)	Note 1	35,674 (US\$ 1,125)	-	-	35,674 (US\$ 1,125)	45.00%	(5,887) (US\$ -173)	207,321 (US\$ 6,114)	-
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%	(699) (US\$ -20)	25,156 (US\$ 742)	-

Accumulated Investment in Mainland China as of March 31, 2009	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)	\$9,447,116

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 unreviewed financial statements.

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