

Yulon Nissan Motor Company, Ltd.

**Financial Statements for the
Six Months Ended June 30, 2009 and 2008 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, 2009 and 2008, 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, 2009 and 2008, which amounted to \$3,580,562 thousand and \$10,795,857 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$221,085 thousand and \$645,265 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, 2009 and 2008, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

July 28, 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 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, 2009 AND 2008

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

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)	\$ 339,487	2	\$ 915,429	5	Short-term loans (Note 12)	\$ 300,000	2	\$ -	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	270,359	2	639,364	4	Notes and accounts payable	10,131	-	15,966	-
Notes and accounts receivable (Notes 2 and 6)	37,498	-	49,947	-	Notes and accounts payable - related parties (Note 20)	834,623	5	826,240	5
Notes and accounts receivable - related parties (Note 20)	727,012	4	1,015,635	6	Income tax payable (Notes 2 and 16)	82,888	-	108,094	1
Other financial assets (Note 7)	47,522	-	94,617	1	Accrued expenses (Notes 13 and 14)	246,706	1	281,873	2
Inventories (Notes 2 and 8)	792	-	-	-	Dividend payable (Note 14)	-	-	510,000	3
Prepayments	18,826	-	18,179	-	Employee bonus payable (Note 14)	-	-	59,360	-
Deferred income tax assets, net (Notes 2 and 16)	5,774	-	3,354	-	Other current liabilities	71,304	-	41,701	-
Other current assets	81,184	-	88,204	1	Total current liabilities	1,545,652	8	1,843,234	11
Total current assets	1,528,454	8	2,824,729	17	OTHER LIABILITIES				
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	13,389,358	74	10,795,857	63	Accrued pension liabilities (Notes 2 and 17)	414,443	2	386,034	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)					Deferred income tax liabilities, net (Notes 2 and 16)	549,812	3	778,507	5
Cost					Warranty (Note 2)	64,376	1	86,745	-
Machinery and equipment	28,107	-	49,712	-	Total other liabilities	1,028,631	6	1,251,286	7
Transportation equipment	8,582	-	24,803	-	Total liabilities	2,574,283	14	3,094,520	18
Tools	5,566	-	3,565	-	STOCKHOLDERS' EQUITY				
Other equipment	179,814	1	220,269	2	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
Leasehold improvement	3,441	-	11,264	-	Capital surplus				
Total cost	225,510	1	309,613	2	Excess from spin-off	5,986,507	33	5,986,507	35
Less accumulated depreciation	164,478	1	202,219	1	Gains on long-term investments	2,461	-	2,461	-
	61,032	-	107,394	1	Total capital surplus	5,988,968	33	5,988,968	35
Prepayments for equipment	2,411	-	3,781	-	Retained earnings				
Property, plant and equipment, net	63,443	-	111,175	1	Legal reserve	1,028,005	6	977,573	6
OTHER ASSETS					Special reserve	379,840	2	379,840	2
Idle assets (Notes 2, 10 and 11)	22,108	-	-	-	Unappropriated earnings	3,555,557	19	2,841,256	17
Refundable deposits (Note 20)	93,767	1	3,477	-	Total retained earnings	4,963,402	27	4,198,669	25
Deferred charges (Notes 2, 11 and 20)	3,072,449	17	3,283,191	19	Cumulative translation adjustments	1,642,926	9	736,272	4
Total other assets	3,188,324	18	3,286,668	19	Total stockholders' equity	15,595,296	86	13,923,909	82
TOTAL	\$18,169,579	100	\$17,018,429	100	TOTAL	\$18,169,579	100	\$17,018,429	100

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

(With Deloitte & Touche audit report dated July 28, 2009)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
SALES (Note 20)	\$ 9,669,518	100	\$ 12,207,433	100
LESS: SALES RETURNS	3,715	-	4,809	-
SALES ALLOWANCES	<u>21,457</u>	<u>-</u>	<u>394</u>	<u>-</u>
NET SALES	9,644,346	100	12,202,230	100
COST OF SALES (Note 20)	<u>9,059,662</u>	<u>94</u>	<u>10,949,229</u>	<u>90</u>
GROSS PROFIT	<u>584,684</u>	<u>6</u>	<u>1,253,001</u>	<u>10</u>
OPERATING EXPENSES (Note 20)				
Marketing and selling	856,481	9	960,708	8
General and administrative	129,618	1	113,863	1
Research and development	<u>237,027</u>	<u>2</u>	<u>312,948</u>	<u>2</u>
Total operating expenses	<u>1,223,126</u>	<u>12</u>	<u>1,387,519</u>	<u>11</u>
OPERATING LOSS	<u>(638,442)</u>	<u>(6)</u>	<u>(134,518)</u>	<u>(1)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	1,053,566	11	645,265	5
Interest income	1,778	-	8,785	-
Gain from valuation of financial assets	385	-	-	-
Gain on sale of investments	349	-	-	-
Others (Note 20)	<u>10,756</u>	<u>-</u>	<u>7,979</u>	<u>-</u>
Total nonoperating income and gains	<u>1,066,834</u>	<u>11</u>	<u>662,029</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Notes 10 and 11)	30,645	1	-	-
Loss on disposal of property, plant and equipment (Note 20)	3,212	-	16	-
Foreign exchange loss	2,318	-	68,943	1
Interest expense (Note 20)	1,682	-	914	-
Loss from valuation of financial assets	-	-	18,587	-
Loss on sale of investments, net	-	-	16,385	-
Others (Note 20)	<u>27,072</u>	<u>-</u>	<u>25,345</u>	<u>-</u>
Total nonoperating expenses and losses	<u>64,929</u>	<u>1</u>	<u>130,190</u>	<u>1</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 363,463	4	\$ 397,321	3
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 16)	<u>177,918</u>	<u>2</u>	<u>(116,351)</u>	<u>(1)</u>
NET INCOME	<u>\$ 541,381</u>	<u>6</u>	<u>\$ 280,970</u>	<u>2</u>
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 1.21</u>	<u>\$ 1.80</u>	<u>\$ 1.32</u>	<u>\$ 0.94</u>
Diluted	<u>\$ 1.21</u>	<u>\$ 1.80</u>	<u>\$ 1.32</u>	<u>\$ 0.94</u>

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

(With Deloitte & Touche audit report dated July 28, 2009)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock		Capital Surplus (Notes 2 and 14)			Retained Earnings (Notes 2 and 14)				Cumulative Translation Adjustments (Note 2)	Total Stockholders' Equity
	Shares (in Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		
BALANCE, JANUARY 1, 2009	300,000	\$3,000,000	\$5,986,507	\$2,461	\$5,988,968	\$ 977,573	\$379,840	\$3,064,608	\$4,422,021	\$1,674,860	\$15,085,849
Appropriation of 2008 earnings											
Legal reserve	-	-	-	-	-	50,432	-	(50,432)	-	-	-
Net income from January 1, 2009 to June 30, 2009	-	-	-	-	-	-	-	541,381	541,381	-	541,381
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(31,934)	(31,934)
BALANCE, JUNE 30, 2009	<u>300,000</u>	<u>\$3,000,000</u>	<u>\$5,986,507</u>	<u>\$2,461</u>	<u>\$5,988,968</u>	<u>\$1,028,005</u>	<u>\$379,840</u>	<u>\$3,555,557</u>	<u>\$4,963,402</u>	<u>\$1,642,926</u>	<u>\$15,595,296</u>
BALANCE, JANUARY 1, 2008	300,000	\$3,000,000	\$5,986,507	\$2,461	\$5,988,968	\$ 830,441	\$379,840	\$3,276,778	\$4,487,059	\$ 792,980	\$14,269,007
Appropriation of 2007 earnings											
Legal reserve	-	-	-	-	-	147,132	-	(147,132)	-	-	-
Cash dividends - \$1.7 per share	-	-	-	-	-	-	-	(510,000)	(510,000)	-	(510,000)
Bonuses to employees	-	-	-	-	-	-	-	(59,360)	(59,360)	-	(59,360)
Net income from January 1, 2008 to June 30, 2008	-	-	-	-	-	-	-	280,970	280,970	-	280,970
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(56,708)	(56,708)
BALANCE, JUNE 30, 2008	<u>300,000</u>	<u>\$3,000,000</u>	<u>\$5,986,507</u>	<u>\$2,461</u>	<u>\$5,988,968</u>	<u>\$ 977,573</u>	<u>\$379,840</u>	<u>\$2,841,256</u>	<u>\$4,198,669</u>	<u>\$ 736,272</u>	<u>\$13,923,909</u>

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

(With Deloitte & Touche audit report dated July 28, 2009)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 541,381	\$ 280,970
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	367,236	407,369
Loss on inventory purchase commitment	3,154	4,796
Impairment loss	30,645	-
Loss (gain) on sale of investments, net	(349)	16,385
Equity in net income of investees	(1,053,566)	(645,265)
Cash dividend from equity-method investees	-	205,768
Loss (gain) from valuation of financial assets	(385)	18,587
Loss on disposal of property, plant and equipment	3,212	16
Deferred income taxes	(206,970)	59,242
Provision for pension costs	14,116	8,552
Provision for warranty liabilities	(5,576)	(3,937)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(269,625)	31,855
Notes and accounts receivable	(8,744)	(18,096)
Notes and accounts receivable - related parties	(140,266)	123,729
Other financial assets	14,376	(657)
Inventories	(792)	132,953
Prepayments	6,688	30,728
Other current assets	(9,420)	34,638
Notes and accounts payable	(34,255)	(84,107)
Notes and accounts payable - related parties	179,105	(973,889)
Income tax payable	(4,374)	52,620
Accrued expenses	(76,226)	(246,457)
Other current liabilities	(8,333)	(1,727)
Net cash used in operating activities	<u>(658,968)</u>	<u>(565,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(12,298)	(7,410)
Decrease (increase) in refundable deposits	(87,902)	963
Increase in deferred charges	(256,640)	(333,849)
Proceeds from disposal of property, plant and equipment	<u>1,433</u>	<u>-</u>
Net cash used in investing activities	<u>(355,407)</u>	<u>(340,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	<u>300,000</u>	<u>-</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (714,375)	\$ (906,223)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,053,862</u>	<u>1,821,652</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 339,487</u>	<u>\$ 915,429</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 1,672</u>	<u>\$ 914</u>
Income tax	<u>\$ 33,676</u>	<u>\$ 4,766</u>
NONCASH FINANCING ACTIVITIES		
Dividend payable	<u>\$ -</u>	<u>\$ 510,000</u>
Employee bonus payable	<u>\$ -</u>	<u>\$ 59,360</u>

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

(With Deloitte & Touche audit report dated July 28, 2009)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2009 and 2008, the Company had 426 and 491 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 5 years; other equipment, 2 to 15 years; and leasehold improvement, 3 to 5 years. When properties are retired or disposed, their costs and related accumulated depreciation are removed from the accounts, and gains or losses are recognized as nonoperating income and expenses.

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

Deferred Charges

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

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

Idle Assets

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

Pensions

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

Warranty

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

- a. Long-term equity investments 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 six months ended June 30, 2009. For comparison purposes, the Company reclassified operating expenses of \$11,549 thousand and nonoperating expenses and losses of \$4,796 thousand to cost of sales for the six months ended June 30, 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>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 20	\$ -
Checking accounts and demand deposits	272,407	592,207
Time deposits, annual yield rate - 2009: 0.64%, 2008: 2.13%	1,500	300,000
Foreign-currency demand deposits	<u>42,527</u>	<u>23,222</u>
	316,454	915,429
Cash equivalents		
Foreign commercial papers, annual yield rate - 1.00%-2.00%	<u>23,033</u>	<u>-</u>
	<u>\$ 339,487</u>	<u>\$ 915,429</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Financial assets held for trading		
Mutual funds	<u>\$ 270,359</u>	<u>\$ 639,364</u>

There were a net gain of \$734 thousand and a net loss of \$34,972 thousand on financial assets held for trading for the six months ended June 30, 2009 and 2008, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Notes receivable	\$ 4,509	\$ 263
Accounts receivable	<u>32,989</u>	<u>49,684</u>
	<u>\$ 37,498</u>	<u>\$ 49,947</u>

7. OTHER FINANCIAL ASSETS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Tax refund receivable	\$ 36,781	\$ 70,349
Lease receivable	7,165	18,897
Interest receivable	2	327
Others	<u>3,574</u>	<u>5,044</u>
	<u>\$ 47,522</u>	<u>\$ 94,617</u>

8. INVENTORIES

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Parts	\$ 792	\$ -

The cost of inventories recognized as cost of sales during the six months ended June 30, 2009 was \$9,059,662 thousand, which included warranty cost of \$31,616 thousand and loss on inventory purchase commitment of \$3,154 thousand. The cost of inventories recognized as cost of sales during the six months ended June 30, 2008 was \$10,949,229 thousand, which included warranty cost of \$11,549 thousand and loss on inventory purchase commitment of \$4,796 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	<u>June 30</u>			
	<u>2009</u>		<u>2008</u>	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Yi-Jan Overseas Investment Co., Ltd.	<u>\$13,389,358</u>	100	<u>\$10,795,857</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, 2009
Aeolus Xiangfan Automobile Co., Ltd.	16.55	US\$ 21,700
Guangzhou Aeolus Automobile Co., Ltd.	40	US\$ 16,941
Aeolus Automobile Co., Ltd.	25	US\$ 10,890
Dong Feng Yulon Motors Sales Co., Ltd.	49	US\$ 5,922
Shenzhen Lan You Technology Co., Ltd.	45	US\$ 1,125
Dong Feng Yulon Used Cars Co., Ltd.	49	<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.

As of June 30, 2009, the carrying values and related investment income of Yi-Jan Overseas Investment Co., Ltd., Jet Ford Inc. and Guangzhou Aeolus Automobile Co., Ltd., were based on the investees' audited financial statements, the rest were based on the investees' unaudited financial statements. As of June 30, 2008, the carrying values and related investment income of the long-term investments were based on the investees' unaudited financial statements.

The carrying values of the long-term investments as of June 30, 2009 and 2008, which amounted to \$3,580,562 thousand and \$10,795,857 thousand, respectively, and the related investment income for the six months then ended, which amounted to \$221,085 thousand and \$645,265 thousand, respectively, were based on the investees' unaudited financial statements.

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

10. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Accumulated depreciation		
Machinery and equipment	\$ 23,258	\$ 40,374
Transportation equipment	5,224	12,208
Tools	2,852	2,466
Other equipment	132,936	143,208
Leasehold improvement	<u>208</u>	<u>3,963</u>
	<u>\$ 164,478</u>	<u>\$ 202,219</u>

Depreciation of property, plant and equipment amounted to \$16,152 thousand and \$15,255 thousand for the six months ended June 30, 2009 and 2008, respectively.

The Company reclassified the retired property, plant and equipment amounted to \$24,991 thousand as idle assets and recognized impairment loss of \$7,384 thousand for the six months ended June 30, 2009.

11. DEFERRED CHARGES

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Costs of molds	\$ 2,560,180	\$ 2,655,002
Dies	481,301	561,356
Computer software	<u>30,968</u>	<u>66,833</u>
	<u>\$ 3,072,449</u>	<u>\$ 3,283,191</u>

Amortization of deferred charges amounted to \$351,084 thousand and \$392,114 thousand for the six months ended June 30, 2009 and 2008, respectively.

The Company evaluated the value in use of costs of molds and dies, and recognized the impairment loss of \$21,831 thousand for the six months ended June 30, 2009. The Company reclassified the retired computer software amounted to \$5,931 thousand as idle assets and recognized impairment loss of \$1,430 thousand for the six months ended June 30, 2009.

12. SHORT-TERM LOANS

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

13. ACCRUED EXPENSES

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Promotion expenses	\$ 117,802	\$ 140,939
Wages and bonuses	66,744	73,017
Others	<u>62,160</u>	<u>67,917</u>
	<u>\$ 246,706</u>	<u>\$ 281,873</u>

14. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

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

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

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

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

Based on past experience, the bonus to employees for six months ended June 30, 2008 was calculated at 3.91% of net income net of 10% deduction for legal reserve, and recorded under accrued expenses.

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

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

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

The appropriation of 2008 and 2007 earnings of the Company approved by the stockholders on June 22, 2009 and June 20, 2008, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Earnings Per Share</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Legal reserve	\$ 50,432	\$ 147,132		
Cash dividend	-	510,000	\$ -	\$ 1.7
Employee bonus (cash)	-	59,360		

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

Information about the appropriations and distribution of the 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 \$159,486 thousand and \$197,225 thousand for the six months ended June 30, 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:

	Six Months Ended	
	June 30	
	2009	2008
Income tax expense computed on the basis of income before income tax at statutory tax rate of 25%	\$ 90,866	\$ 99,331
Add (deduct) tax effects of:		
Permanent differences	(234,074)	(131,204)
Temporary differences	(18,934)	(63,815)
Loss carryforwards	<u>162,142</u>	<u>-</u>
	-	-
Additional tax on retained earnings (10%)	45,389	75,483
Investment tax credits	<u>(13,485)</u>	<u>(18,374)</u>
Income tax payable	<u>\$ 31,904</u>	<u>\$ 57,109</u>

The balance of the income tax payable shown on the balance sheets as of June 30, 2009 and 2008 was net of prepaid income tax and added to 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 expense (benefit) consisted of the following:

	Six Months Ended	
	June 30	
	2009	2008
Income tax payable	\$ 31,904	\$ 57,109
Deferred income tax	(206,970)	59,242
Prior year's income tax adjustments	<u>(2,852)</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ (177,918)</u>	<u>\$ 116,351</u>

In May, 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a income tax benefit or expense.

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

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Current		
Loss on inventory purchase commitment	\$ 7,205	\$ 3,313
Unrealized foreign exchange loss (gain)	<u>(1,431)</u>	<u>41</u>
Net deferred income tax assets	<u>\$ 5,774</u>	<u>\$ 3,354</u>
Noncurrent		
Loss carryforwards	\$ 190,209	\$ -
Investment tax credits	188,524	139,662
Provision for pension	82,901	96,503
Provision for warranty	12,875	21,686
Equity in net income of overseas subsidiaries	<u>(1,024,321)</u>	<u>(1,036,358)</u>
Net deferred income tax liabilities	<u>\$ (549,812)</u>	<u>\$ (778,507)</u>

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 June 30, 2009, the amount invested in the investment plans totaled \$942,620 thousand, with investment tax credits amount of \$188,524 thousand. The plans are expected to be completed by September, 2009. The expiry year of the tax credit is 2013.

As of June 30, 2009, loss carryforwards comprised of:

Tax Credit Item	Total Amount	Unused Amount	Expiry Year
Loss carryforwards	\$ 60,495	\$ 60,495	2018
Loss carryforwards	129,714	129,714	2019

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

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Balance of imputation credit account ("ICA")	<u>\$ 412,424</u>	<u>\$ 404,063</u>

The actual ICA rates for 2008 and 2007 earnings were 13.68% and 12.33%, respectively.

17. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan was \$5,015 thousand and \$4,951 thousand for the six months ended June 30, 2009 and 2008, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,595 thousand and \$1,678 thousand as of June 30, 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>Six months ended June 30, 2009</u>					
Basic EPS					
Income for the period attributable to common shareholders	\$ 363,463	\$ 541,381	300,000	<u>\$ 1.21</u>	<u>\$ 1.80</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>232</u>		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 363,463</u>	<u>\$ 541,381</u>	<u>300,232</u>	<u>\$ 1.21</u>	<u>\$ 1.80</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS					
Income for the period attributable to common shareholders	\$ 397,321	\$ 280,970	300,000	<u>\$ 1.32</u>	<u>\$ 0.94</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>264</u>		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	<u>\$ 397,321</u>	<u>\$ 280,970</u>	<u>300,264</u>	<u>\$ 1.32</u>	<u>\$ 0.94</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 stockholders 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
Nissan Motor (Thailand) Co.,Ltd (former 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 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
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Yulon General Motors Co.	Same as above
Daton Co., Ltd.	Same as above
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

(Continued)

Related Party	Relationship with the Company
Yu Tang Motor Co., Ltd.	Same as above
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
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.
Sinboum 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
Diamond Leasing Service Co., Ltd.	Subsidiary of Ka-Plus Automobile Leasing Co., Ltd.
Hsieh Kuan Manpower Service Co., Ltd.	Equity-method investee of Ka-Plus Automobile Leasing Co., Ltd.
Carnival Co., Ltd.	The chairman of the board of director is the same person as that of the Company

(Concluded)

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

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

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 7,771,759	82	\$ 8,933,042	75
Chi Ho Corporation	183,214	2	318,373	3
Yu Sing Motor Co., Ltd.	164,314	2	152,085	1
Yuan Lon Motor Co., Ltd.	140,924	1	151,488	1
Yu Chang Motor Co., Ltd.	125,939	1	108,268	1
Chen Long Co., Ltd.	118,956	1	747,895	6
Empower Motor Co., Ltd.	103,613	1	103,201	1
Yushin Motor Co., Ltd.	97,632	1	128,086	1
Yu Tang Motor Co., Ltd.	95,844	1	102,933	1
NMPI	22,893	-	67,035	1
Others	333,076	4	883,827	7
	<u>\$ 9,158,164</u>	<u>96</u>	<u>\$ 11,696,233</u>	<u>98</u>

2) Operating revenue - service revenue

Nissan	<u>\$ 133,672</u>	<u>100</u>	<u>\$ 281,443</u>	<u>100</u>
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The Company designs and performs R&D of car for Nissan. Service revenue is recognized according to the related contracts.

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
3) Operating revenue - others				
Yulon	\$ 14,626	78	\$ 4,192	12
Yu Pool Co., Ltd.	2,102	11	-	-
Zhengzhou Nissan Automobile Co., Ltd.	1,126	6	25,303	74
Others	560	3	2,950	9
	<u>\$ 18,414</u>	<u>98</u>	<u>\$ 32,445</u>	<u>95</u>

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

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
4) Operating cost - purchase				
Yulon	\$ 8,525,072	99	\$ 10,225,336	99
Others	<u>14</u>	<u>-</u>	<u>1,055</u>	<u>-</u>
	<u>\$ 8,525,086</u>	<u>99</u>	<u>\$ 10,226,391</u>	<u>99</u>
5) Operating cost - Technical Cooperation Agreement ("TCA")				
Nissan	<u>\$ 159,486</u>	<u>100</u>	<u>\$ 197,225</u>	<u>100</u>
6) Operating expenses - rental				
Yulon	\$ 20,408	58	\$ 25,344	51
Ka-Plus Automobile Leasing Co., Ltd.	3,409	9	3,739	8
Taiwan Acceptance Corporation	2,691	8	2,956	6
Hsieh Kuan Manpower Service Co., Ltd.	1,679	5	2,542	5
Others	<u>19</u>	<u>-</u>	<u>884</u>	<u>2</u>
	<u>\$ 28,206</u>	<u>80</u>	<u>\$ 35,465</u>	<u>72</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.

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 101,160	12	\$ 45,773	5
Yu Sing Motor Co., Ltd.	75,613	9	71,291	7
Yuan Lon Motor Co., Ltd.	62,356	7	50,257	5
Empower Motor Co., Ltd.	51,554	6	48,168	5
Yu Chang Motor Co., Ltd.	50,880	6	54,650	6
Chen Long Co., Ltd.	50,352	6	47,976	5
Yu Tang Motor Co., Ltd.	39,006	5	48,127	5
Others	<u>185,785</u>	<u>21</u>	<u>319,860</u>	<u>33</u>
	<u>\$ 616,706</u>	<u>72</u>	<u>\$ 686,102</u>	<u>71</u>

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
8) Operating expenses - research and development				
Hsiang Shou Enterprise Co., Ltd.	\$ 12,688	5	\$ 9,038	3
Yulon	8,911	4	9,797	3
Others	<u>258</u>	<u>-</u>	<u>2,285</u>	<u>1</u>
	<u>\$ 21,857</u>	<u>9</u>	<u>\$ 21,120</u>	<u>7</u>

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

	Six Months Ended June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
9) Operating expenses - general and administrative expense				
Yulon	\$ 5,545	4	\$ 6,715	6
Tokio Marine Nawa Insurance Co., Ltd.	2,483	2	1,900	2
Sinboun Travel Service Co., Ltd.	2,408	2	2,926	3
Others	<u>5,568</u>	<u>4</u>	<u>6,122</u>	<u>5</u>
	<u>\$ 16,004</u>	<u>12</u>	<u>\$ 17,663</u>	<u>16</u>
10) Nonoperating income - others				
Tokio Marine Nawa Insurance Co., Ltd.	\$ 3,649	34	\$ 4,023	51
Others	<u>454</u>	<u>4</u>	<u>785</u>	<u>9</u>
	<u>\$ 4,103</u>	<u>38</u>	<u>\$ 4,808</u>	<u>60</u>
11) Nonoperating expenses - others				
Yulon	\$ 8,333	31	\$ 9,281	37
Sinjang Co., Ltd.	3,834	14	3,934	15
Others	<u>511</u>	<u>2</u>	<u>1,183</u>	<u>5</u>
	<u>\$ 12,678</u>	<u>47</u>	<u>\$ 14,398</u>	<u>57</u>

	June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
12) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 423,560	58	\$ 373,823	37
NMPI	92,259	13	148,102	14
Chi Ho Corporation	68,073	9	129,181	13
Nissan	31,620	4	284,233	28
Others	<u>111,500</u>	<u>16</u>	<u>80,296</u>	<u>8</u>
	<u>\$ 727,012</u>	<u>100</u>	<u>\$ 1,015,635</u>	<u>100</u>

13) Refundable deposits

Yulon	\$ <u>90,000</u>	<u>96</u>	\$ _____	____
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The Company authorized Yulon as the original equipment manufacturer (“OEM”) of automobiles, and had commitment to purchase and pay the guarantee deposit to Yulon.

	June 30			
	2009		2008	
	Amount	% to Total	Amount	% to Total
14) Notes and accounts payable - related parties				
Yulon	\$ 597,098	72	\$ 504,757	61
Nissan	97,139	12	85,491	10
Taiwan Acceptance Corporation	40,170	5	27,434	3
Yueki Industrial Co., Ltd.	-	-	70,428	9
Others	<u>100,216</u>	<u>11</u>	<u>138,130</u>	<u>17</u>
	<u>\$ 834,623</u>	<u>100</u>	<u>\$ 826,240</u>	<u>100</u>

15) The Company sold to Taiwan Acceptance Corporation accounts receivable amounted to \$916,770 thousand and \$1,099,728 thousand for the six months ended June 30, 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 \$541 thousand and \$911 thousand for the six months ended June 30, 2009 and 2008, respectively.

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

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

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

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

	<u>Six Months Ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Y-teks, Co.	\$ 38,854	\$ 2,905
Taiwan Calsonic Co., Ltd.	20,436	-
China Ogihara Corporation	15,458	-
Yueki Industrial Co., Ltd.	17,232	97,723
Others	<u>29,465</u>	<u>9,024</u>
	<u>\$ 121,445</u>	<u>\$ 109,652</u>

21. SIGNIFICANT COMMITMENTS

As of June 30, 2009, significant commitments and contingencies of the Company were as follows:

- 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 June 30, 2009, both parties had not received a notice of termination; therefore, the contract has been automatically extended to October 31, 2009.

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 had commitment to buy molds for \$53,523 thousand.

22. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	June 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 339,487	\$ 339,487	\$ 915,429	\$ 915,429
Financial assets at fair value through profit or loss	270,359	270,359	639,364	639,364
Notes and accounts receivable	37,498	37,498	49,947	49,947
Notes and accounts receivable - related parties	727,012	727,012	1,015,635	1,015,635
Other financial assets	47,522	47,522	94,617	94,617
Long-term equity investments	13,389,358	13,389,358	10,795,857	10,795,857
Refundable deposits	93,767	93,767	3,477	3,477
Liabilities				
Short-term loans	300,000	300,000	-	-
Notes and accounts payable	10,131	10,131	15,966	15,966
Notes and accounts payable - related parties	834,623	834,623	826,240	826,240
Income tax payable	82,888	82,888	108,094	108,094
Accrued expenses	246,706	246,706	281,873	281,873
Dividend payable	-	-	510,000	510,000
Employee bonus payable	-	-	59,360	59,360
Accrued pension liabilities	414,443	414,443	386,034	386,034

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

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

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

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	June 30		June 30	
	2009	2008	2009	2008
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 265,388	\$ 439,969	\$ 4,971	\$ 199,395

- d. Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were \$(29) thousand and \$3,396 thousand for the six months ended June 30, 2009 and 2008, respectively.

e. Information about financial risks

1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

23. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real 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 purchase; the balance and percentage of related accounts payable: None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

YULON NISSAN MOTOR COMPANY, LTD. AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 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	-	\$ 13,162	-	\$ 13,162	
	Yuanta assets RP	-	Cash and cash equivalents	-	9,871	-	9,871	
	<u>Beneficiary certificates</u>							
	Jih Sun Bond Fund	-	Financial assets at fair value through profit or loss	6,391	90,000	-	90,109	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss	5,554	79,974	-	80,051	
	PCA Well Pool Fund	-	Financial assets at fair value through profit or loss	1,545	20,000	-	20,040	
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	4,200	50,000	-	50,129	
	KGI Kai Fu Fund	-	Financial assets at fair value through profit or loss	442	5,000	-	4,971	
	JF (Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	1,887	20,000	-	20,172	
Yi-Jan Overseas Investment Co., Ltd.	Polaris/P-shares Russell Greater China Large Cap Value Index Securities Investment	-	Financial assets at fair value through profit or loss	500	5,000	-	4,887	
	<u>Stock</u>							
	Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	13,389,358	100.00	13,389,358	Note 2
	<u>Stock</u>							
	Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 407,819	100.00	US\$ 407,819	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 209	100.00	US\$ 209	Note 3
	<u>Share certificates</u>							
	Jet Ford, Inc.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 36,409	16.55	US\$ 33,164	Note 3
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 286,379	40.00	US\$ 282,537	Note 2
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 58,243	25.00	US\$ 58,243	Note 3
Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,353	49.00	US\$ 7,353	Note 3	

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	June 30, 2009				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 6,132	45.00	US\$ 6,132	Note 3
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 785	49.00	US\$ 785	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, 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.	<u>Beneficiary certificates</u>													
	Yuanta Wan Tai Bond Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	14,546	\$ 210,000	14,546	\$ 210,101	\$ 210,000	\$ 101	-	\$ -
	IBT Ta Chong Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	11,123	150,000	11,123	150,060	150,000	60	-	-
	TIIM Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,696	154,000	5,142	74,092	74,026	66	5,554	79,974

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, 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	\$ 8,525,072	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (563,752)	93	-
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	7,771,759	82	4 days after sales for parts 3 days after sales for vehicles	-	-	423,560	56	-
	Chi Ho Corporation	Equity-method investee of Yulon Motor Co., Ltd.	Sale	183,214	2	15 days after sales for parts 90 days after sales for vehicles	-	-	68,052	9	-
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	164,314	2	15 days after sales for parts Immediate payment for vehicles	-	-	909	-	-
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	140,924	1	15 days after sales for parts	-	-	4,665	1	-
	Yu Chang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	125,939	1	15 days after sales for parts	-	-	11,067	1	-
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	118,956	1	15 days after sales for parts Immediate payment for vehicles	-	-	1,582	-	-
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	103,613	1	15 days after sales for parts	-	-	3,182	-	-

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, 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.	\$ 423,560	55.46	\$ -	-	\$ 423,560	\$ -

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, 2009
(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, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Notes 1)	Note
				June 30, 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	\$ 13,389,358	\$ 1,053,566	\$ 1,053,566	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\$ 407,819	US\$ 31,421	US\$ 31,421	Note 2
				US\$ 200	US\$ 200	1,100	100.00	US\$ 209	US\$ (2)	US\$ (2)	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\$ 36,409	US\$ 27,816	US\$ 4,403	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\$ 286,379	US\$ 63,782	US\$ 24,823	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\$ 58,243	US\$ 9,340	US\$ 2,335	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\$ 7,353	US\$ (16)	US\$ (8)	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\$ 6,132	US\$ (351)	US\$ (158)	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\$ 785	US\$ 45	US\$ 22	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, 2009

(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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2009	Accumulated Inward Remittance of Earnings as of June 30, 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%	\$ 147,664 (US\$ 4,403)	\$ 1,194,571 (US\$ 36,409)	\$ -
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%	832,480 (US\$ 24,823)	9,396,105 (US\$ 286,379)	483,333 (US\$ 15,600)
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%	78,308 (US\$ 2,335)	1,910,960 (US\$ 58,243)	-
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%	(259) (US\$ -8)	241,240 (US\$ 7,353)	-
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%	(5,303) (US\$ -158)	210,182 (US\$ 6,132)	-
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%	742 (US\$ 22)	25,752 (US\$ 785)	-

Accumulated Investment in Mainland China as of June 30, 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)	\$9,357,178

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.