

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

**Consolidated Financial Statements for the
Years Ended December 31, 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 consolidated balance sheets of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yulon Nissan Motor Company, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

February 24, 2010

Notice to Readers

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 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 (Notes 2 and 4)	\$ 736,555	4	\$ 1,093,738	6	Notes and accounts payable	\$ 2,977	-	\$ 44,386	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	1,129,590	7	-	-	Notes and accounts payable - related parties (Note 19)	832,802	5	655,139	4
Notes and accounts receivable (Notes 2 and 6)	29,447	-	28,928	-	Income tax payable (Notes 2 and 15)	73,416	-	87,266	1
Notes and accounts receivable - related parties (Note 19)	395,393	2	579,566	3	Accrued expenses (Note 12)	312,453	2	323,058	2
Other financial assets (Note 7)	53,870	1	61,942	1	Other current liabilities (Note 19)	<u>67,740</u>	-	<u>76,502</u>	-
Inventories (Notes 2 and 8)	894	-	-	-	Total current liabilities	<u>1,289,388</u>	<u>7</u>	<u>1,186,351</u>	<u>7</u>
Prepayment	2,918	-	25,514	-	OTHER LIABILITIES				
Deferred income tax assets, net (Notes 2 and 15)	8,205	-	2,267	-	Accrued pension liabilities (Notes 2 and 16)	424,452	2	400,327	2
Other current assets	<u>36,839</u>	-	<u>71,939</u>	<u>1</u>	Deferred tax liabilities, net (Notes 2 and 15)	667,526	4	753,597	4
Total current assets	<u>2,393,711</u>	<u>14</u>	<u>1,863,894</u>	<u>11</u>	Warranty (Note 2)	<u>70,099</u>	<u>1</u>	<u>69,952</u>	<u>1</u>
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	<u>13,495,986</u>	<u>76</u>	<u>12,334,674</u>	<u>70</u>	Total other liabilities	<u>1,162,077</u>	<u>7</u>	<u>1,223,876</u>	<u>7</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 19)					Total liabilities	<u>2,451,465</u>	<u>14</u>	<u>2,410,227</u>	<u>14</u>
Cost					STOCKHOLDERS' EQUITY				
Machinery and equipment	21,863	-	49,445	1	Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued - 300,000 thousand shares	<u>3,000,000</u>	<u>17</u>	<u>3,000,000</u>	<u>17</u>
Transportation equipment	4,290	-	24,224	-	Capital surplus				
Tools	5,566	-	3,565	-	Excess from spin-off	5,986,507	34	5,986,507	34
Other equipment	154,983	1	220,834	1	Gains on long-term investments	<u>2,461</u>	-	<u>2,461</u>	-
Leasehold improvement	<u>3,474</u>	-	<u>8,284</u>	-	Total capital surplus	<u>5,988,968</u>	<u>34</u>	<u>5,988,968</u>	<u>34</u>
Total cost	190,176	1	306,352	2	Retained earnings				
Less accumulated depreciation	<u>142,701</u>	<u>1</u>	<u>212,780</u>	<u>1</u>	Legal reserve	1,028,005	6	977,573	6
	47,475	-	93,572	1	Special reserve	379,840	2	379,840	2
Prepayments for equipment	<u>2,065</u>	-	<u>3,361</u>	-	Unappropriated earnings	<u>3,667,054</u>	<u>20</u>	<u>3,064,608</u>	<u>17</u>
Property, plant and equipment, net	<u>49,540</u>	-	<u>96,933</u>	<u>1</u>	Total retained earnings	<u>5,074,899</u>	<u>28</u>	<u>4,422,021</u>	<u>25</u>
OTHER ASSETS					Cumulative translation adjustments	<u>1,206,273</u>	<u>7</u>	<u>1,674,860</u>	<u>10</u>
Refundable deposits (Notes 19)	7,416	-	5,920	-	Total stockholders' equity	<u>15,270,140</u>	<u>86</u>	<u>15,085,849</u>	<u>86</u>
Deferred charges (Notes 2, 11 and 19)	<u>1,774,952</u>	<u>10</u>	<u>3,194,655</u>	<u>18</u>	TOTAL	<u>\$ 17,721,605</u>	<u>100</u>	<u>\$ 17,496,076</u>	<u>100</u>
Total other assets	<u>1,782,368</u>	<u>10</u>	<u>3,200,575</u>	<u>18</u>					
TOTAL	<u>\$ 17,721,605</u>	<u>100</u>	<u>\$ 17,496,076</u>	<u>100</u>					

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

(With Deloitte & Touche audit report dated February 24, 2010)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
SALES (Note 19)	\$ 21,694,100	100	\$ 19,468,367	100
LESS: SALES RETURNS	7,802	-	16,626	-
SALES ALLOWANCE	<u>11,570</u>	<u>-</u>	<u>9,620</u>	<u>-</u>
NET SALES	21,674,728	100	19,442,121	100
COST OF SALES (Note 19)	<u>19,807,203</u>	<u>92</u>	<u>17,432,582</u>	<u>90</u>
GROSS PROFIT	<u>1,867,525</u>	<u>8</u>	<u>2,009,539</u>	<u>10</u>
OPERATING EXPENSES (Note 19)				
Marketing and selling	1,941,414	9	1,699,829	9
General and administrative	273,358	1	251,926	1
Research and development	<u>465,137</u>	<u>2</u>	<u>693,569</u>	<u>3</u>
Total operating expenses	<u>2,679,909</u>	<u>12</u>	<u>2,645,324</u>	<u>13</u>
OPERATING LOSS	<u>(812,384)</u>	<u>(4)</u>	<u>(635,785)</u>	<u>(3)</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	2,327,721	11	1,412,750	7
Foreign exchange gain, net	90,036	1	-	-
Gain on sale of investments, net	4,553	-	-	-
Gain on disposal of idle assets	3,050	-	-	-
Gain from valuation of financial assets	2,605	-	-	-
Interest income	2,426	-	15,151	-
Others (Note 19)	<u>20,468</u>	<u>-</u>	<u>14,258</u>	<u>-</u>
Total nonoperating income and gains	<u>2,450,859</u>	<u>12</u>	<u>1,442,159</u>	<u>7</u>
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Notes 10 and 11)	963,472	5	-	-
Overseas business expense (Note 19)	49,329	-	25,230	-
Losses on disposal of property, plant and equipment (Note 19)	6,904	-	1,159	-
Interest expense (Note 19)	2,984	-	1,750	-
Losses on sale of investments, net	-	-	85,462	1
Loss on financial assets	-	-	32,898	-
Foreign exchange loss, net	-	-	20,539	-
Others (Note 19)	<u>35,076</u>	<u>-</u>	<u>32,803</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,057,765</u>	<u>5</u>	<u>199,841</u>	<u>1</u>

(Continued)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 580,710	3	\$ 606,533	3
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 15)	<u>72,168</u>	<u>-</u>	<u>(102,211)</u>	<u>-</u>
NET INCOME	<u>\$ 652,878</u>	<u>3</u>	<u>\$ 504,322</u>	<u>3</u>
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 1.94</u>	<u>\$ 2.18</u>	<u>\$ 2.02</u>	<u>\$ 1.68</u>
Diluted	<u>\$ 1.93</u>	<u>\$ 2.17</u>	<u>\$ 2.02</u>	<u>\$ 1.68</u>

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

(With Deloitte & Touche audit report dated February 24, 2010)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock		Capital Surplus (Notes 2 and 13)			Retained Earnings (Notes 2 and 13)				Cumulative Translation Adjustments (Note 2)	Total Stockholders' Equity
	Shares (In Thousands)	Amount	Excess from Spin-off	Long-term Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total		
BALANCE, JANUARY 1, 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 in 2008	-	-	-	-	-	-	-	504,322	504,322	-	504,322
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	881,880	881,880
BALANCE, DECEMBER 31, 2008	300,000	3,000,000	5,986,507	2,461	5,988,968	977,573	379,840	3,064,608	4,422,021	1,674,860	15,085,849
Appropriation of 2008 earnings											
Legal reserve	-	-	-	-	-	50,432	-	(50,432)	-	-	-
Net income in 2009	-	-	-	-	-	-	-	652,878	652,878	-	652,878
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(468,587)	(468,587)
BALANCE, DECEMBER 31, 2009	<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>\$ 3,667,054</u>	<u>\$ 5,074,899</u>	<u>\$ 1,206,273</u>	<u>\$ 15,270,140</u>

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

(With Deloitte & Touche audit report dated February 24, 2010)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 652,878	\$ 504,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	887,668	840,174
Impairment loss	963,472	-
Loss (gain) on sale of investments, net	(4,553)	85,462
Equity in net income of investees	(2,327,721)	(1,412,750)
Cash dividends from equity-method investees	786,239	342,208
Realized exchange gain of foreign-currency cash dividends	(95,134)	-
Loss on disposal of property, plant and equipment, net	6,825	1,158
Gain on disposal of idle assets	(3,050)	-
Loss on financial assets	-	32,898
Gain from valuation of financial assets	(2,605)	-
Deferred income taxes	(92,017)	35,673
Provision for pension costs	24,125	22,845
Loss on inventory purchase commitment	3,154	24,417
Provision for warranty liabilities	147	(20,730)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,122,432)	587,831
Notes and accounts receivable	(519)	3,204
Notes and accounts receivable - related parties	184,173	621,237
Other financial assets	8,072	32,111
Inventories	(894)	132,953
Prepayments	22,596	23,393
Other current assets	35,100	51,019
Notes and accounts payable	(41,409)	(55,687)
Notes and accounts payable - related parties	177,663	(1,144,916)
Income tax payable	(13,850)	31,789
Accrued expenses	(10,605)	(205,398)
Other current liabilities	(11,916)	13,444
Net cash provided by operating activities	<u>25,407</u>	<u>546,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(13,890)	(12,872)
Increase in refundable deposits	(1,496)	(1,417)
Increase in deferred charges	(398,701)	(660,136)
Proceeds from disposal of property, plant and equipment	3,143	580
Proceeds from disposal of idle assets	<u>21,629</u>	<u>-</u>
Net cash used in investing activities	<u>(389,315)</u>	<u>(673,845)</u>

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YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	\$ -	\$ (510,000)
Distribution of bonus to employees	<u>-</u>	<u>(59,360)</u>
Cash used in financing activities	<u>-</u>	<u>(569,360)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	<u>6,725</u>	<u>(263,067)</u>
NET DECREASE IN CASH	(357,183)	(959,615)
CASH, BEGINNING OF YEAR	<u>1,093,738</u>	<u>2,053,353</u>
CASH, END OF YEAR	<u>\$ 736,555</u>	<u>\$ 1,093,738</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for		
Interest	<u>\$ 2,984</u>	<u>\$ 1,750</u>
Income tax	<u>\$ 33,699</u>	<u>\$ 8,818</u>

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

(With Deloitte & Touche audit report dated February 24, 2010)

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

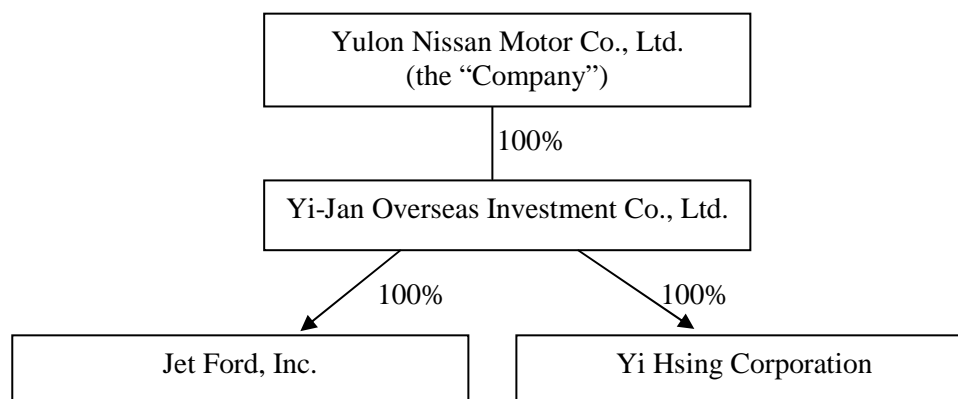
Yulon Nissan Motor Company, Ltd. (the “Company”) is a business on research and development of vehicles and sales of vehicles. The Company started its operations in November 2003, after Yulon Motor Co., Ltd. (“Yulon”) transferred its sales, research and development businesses to the Company in October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

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

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

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

As of December 31, 2009, the investment relationship between the Company and its subsidiaries and percentages of ownership were as follows:



As of December 31, 2009 and 2008, the Company and subsidiaries employed 419 and 498 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (ROC). In preparing consolidated financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, inventory devaluation, property depreciation, deferred charges amortization, warranty, pension, and bonuses to employees. Actual results could differ from these estimates.

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

The Company and its subsidiaries' significant accounting policies are summarized as follows:

Basis of Consolidated Financial Statements

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

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

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

Current/Noncurrent Assets and Liabilities

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

Financial Instruments at Fair Value Through Profit or Loss

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

Inventories

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 Group's proportional equity share in the investees' net income and stockholders' equity in the same accounting period. Cash dividends received are accounted for as reductions of the carrying value of the investments. If an investee raises capital by issuing additional common stocks and the Company or its subsidiary does not purchase the additional stocks, the Company or its subsidiary will adjust its capital surplus account or unappropriated retained earnings account in proportion to its new equity in the investee's assets.

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

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

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

Property, Plant and Equipment

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

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

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

Deferred Charges

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

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

Idle Assets

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

Pensions

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

Warranty

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

- a. Long-term equity investments 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. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2009, the Group adopted the newly revised SFAS No. 10, "Accounting for Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) inventory-related expenses and losses are recorded as cost of sales for the period. The change in accounting principle had no effect on net income in 2009. For comparison purposes, the Company reclassified operating expenses of \$31,695 thousand and nonoperating expenses and losses of \$24,417 thousand to cost of sales in 2008.

In March 2007, the Accounting Research and Development Foundation of the Republic of China issued the interpretation, which 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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Cash on hand	\$ 1	\$ 1
Checking accounts and demand deposits	703,339	649,228
Time deposits, annual yield rate - 2009: 0.10%-3.015%; 2008: 0.33%-4.00%	<u>33,215</u>	<u>444,509</u>
	<u>\$ 736,555</u>	<u>\$ 1,093,738</u>

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Financial assets held for trading		
Mutual funds	<u>\$ 1,129,590</u>	<u>\$ -</u>

There were a net gain of \$7,158 thousand and a net loss of \$118,360 thousand on financial assets held for trading in 2009 and 2008, respectively.

The counter party in certain financial assets was unable to perform contract obligation in 2008. Therefore, the Company recognized loss on financial assets which amounted to \$32,898 thousand.

6. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2009	2008
Notes receivable	\$ 662	\$ 7,927
Accounts receivable	<u>28,785</u>	<u>21,001</u>
	<u>\$ 29,447</u>	<u>\$ 28,928</u>

7. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2009	2008
Tax refund receivable	\$ 37,041	\$ 33,339
Receivable of sale of securities	9,728	-
Lease receivable	4,192	10,823
Interest receivable	4	1,206
Others	<u>2,905</u>	<u>16,574</u>
	<u>\$ 53,870</u>	<u>\$ 61,942</u>

8. INVENTORIES

	<u>December 31</u>	
	2009	2008
Parts	<u>\$ 894</u>	<u>\$ -</u>

The cost of inventories recognized as cost of sales in 2009 was \$19,796,251 thousand, which included warranty cost of \$81,777 thousand and loss on inventory purchase commitment of \$3,154 thousand. The cost of inventories recognized as cost of sales in 2008 was \$17,432,582 thousand, which included warranty cost of \$31,695 thousand and loss on inventory purchase commitment of \$24,417 thousand.

9. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
Guangzhou Aeolus Automobile Co., Ltd.	\$ 9,625,485	40.00	\$ 8,974,682	40.00
Aeolus Automobile Co., Ltd.	1,960,259	25.00	1,835,808	25.00
Aeolus Xiangfan Automobile Co., Ltd.	1,411,680	16.55	1,050,902	16.55
Dong Feng Yulon Motors Sales Co., Ltd.	239,855	49.00	241,692	49.00
Shenzhen Lan You Technology Co., Ltd.	231,776	45.00	206,543	45.00
Dong Feng Yulon Used Cars Co., Ltd.	<u>26,931</u>	49.00	<u>25,047</u>	49.00
	<u>\$ 13,495,986</u>		<u>\$ 12,334,674</u>	

The carrying values of the long-term investments accounted for by the equity method as of December 31, 2009 and 2008, and the related investment income for the years then ended were based on the investees' audited financial statements.

The Group indirectly owns the following companies:

Investee	Percentage of Ownership	Investment Amount (In Thousands) December 31, 2009
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>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2009	2008
Accumulated depreciation		
Machinery and equipment	\$ 16,454	\$ 41,848
Transportation equipment	3,497	13,717
Tools	3,166	2,663
Other equipment	118,858	152,325
Leasehold improvement	<u>726</u>	<u>2,227</u>
	<u>\$ 142,701</u>	<u>\$ 212,780</u>

Depreciation of property, plant and equipment amounted to \$26,324 thousand in 2009 and \$33,237 thousand in 2008.

The Company reclassified retired property, plant and equipment amounting to \$24,991 thousand to idle assets and recognized impairment loss of \$7,384 thousand in 2009. The depreciation of idle assets, which amounted to \$2,573 thousand in 2009, was recorded under nonoperating expenses and losses. As of December 31, 2009, all of the idle assets have been sold.

11. DEFERRED CHARGES

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Costs of molds	\$ 1,361,440	\$ 2,623,029
Dies	389,547	521,842
Computer software	<u>23,965</u>	<u>49,784</u>
	<u>\$ 1,774,952</u>	<u>\$ 3,194,655</u>

Amortization of deferred charges amounted to \$857,815 thousand and \$806,937 thousand in 2009 and 2008, respectively.

The Company recognized an impairment loss of \$954,658 thousand on molds and dies in 2009 because of the decline in sales of certain vehicles, which caused a decrease in cash inflows from the use of the related molds and dies and resulted in the recoverable amount of the molds and dies being lower than carrying amount. The recoverable amount of the molds and dies was based on value in use, determined using a discount rate of 11.19%.

The Company reclassified retired computer software amounting to \$5,931 thousand to idle assets and recognized an impairment loss of \$1,430 thousand in 2009. The amortization of idle assets, which amounted to \$956 thousand in 2009, was recorded under nonoperating expenses and losses. As of December 31, 2009, all of the idle assets have been sold.

12. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Promotion expenses	\$ 108,249	\$ 93,123
Wages and bonuses	107,762	90,977
Others	<u>96,442</u>	<u>138,958</u>
	<u>\$ 312,453</u>	<u>\$ 323,058</u>

13. STOCKHOLDERS' EQUITY

a. Capital stock

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

b. Capital surplus

Under the ROC Company Law, 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 provide that legal reserve should be set aside at 10% of annual net income, less any accumulated deficit. The remainder of this income should be appropriated as follows:

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

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

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

Based on past experience, the bonus to the Company's employees for the year ended December 31, 2008 was calculated at 2.10% 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.

As of February 24, 2010, the date of the accompanying independent auditors' report, the appropriations and distributions of the 2009 earnings of the Company had not been approved by the board of directors and stockholders. Information about the appropriations and distribution of the 2009 earnings, bonus to employees, directors and supervisors is available on the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

The appropriations of earnings for 2008 and 2007 had been approved in the shareholders' meetings on June 22, 2009 and June 20, 2008, respectively. The appropriations and dividends per share 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. The approved amount of the cash bonus to employees was not different from the accrual amount of \$9,528 thousand reflected in the financial statements for the year ended December 31, 2008.

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

14. TECHNICAL COOPERATION AGREEMENT

The Company had a technical cooperation agreement (the "TCA") with Nissan. The TCA required the Company to pay Nissan technical service fees mostly based on purchase costs less commodity tax. TCA fees, which amounted to \$351,823 thousand in 2009 and \$290,436 thousand in 2008, were recorded under cost of sales.

15. 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:

	2009	2008
Income tax expense computed on the basis of income before income tax at statutory tax rate of 25%	\$ 145,030	\$ 151,824
Add (deduct) tax effects of:		
Tax-exempt income	(553,131)	(318,372)
Permanent differences	14,295	40,259
Temporary differences	(95,590)	(142,744)
Loss carryforwards	<u>81,695</u>	<u>77,902</u>
	-	-
Additional tax on retained earnings (10%)	45,389	75,483
Investment tax credits	(22,695)	(34,890)
Basic income tax	<u>7</u>	<u>13</u>
Income tax payable	<u>\$ 22,701</u>	<u>\$ 40,606</u>

The balance of the income tax payable shown on the balance sheet as of December 31, 2009 and 2008 was net of prepaid income tax and added to income tax payable of previous years.

Income tax returns through 2007 had been examined by the tax authorities. But the Company disagreed with the examination result on its 2005 through 2007 returns and thus requested the tax authorities for a reexamination of the returns.

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

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

	2009	2008
Income tax payable	\$ 22,701	\$ 40,606
Deferred income tax	(92,017)	35,673
Prior year's income tax adjustments	<u>(2,852)</u>	<u>25,932</u>
Income tax expense (benefit)	<u>\$ (72,168)</u>	<u>\$ 102,211</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 follows:

	December 31	
	2009	2008
Current		
Loss on inventory purchase commitment	\$ 7,205	\$ 8,218
Unrealized foreign exchange loss (gain)	<u>1,000</u>	<u>(5,951)</u>
Net deferred income tax assets	<u>\$ 8,205</u>	<u>\$ 2,267</u>
Noncurrent		
Loss carryforwards	\$ 142,865	\$ 78,312
Investment tax credits	130,609	164,571
Impairment loss difference between taxable loss and book loss	112,249	-
Provision for pension	84,915	100,067
Provision for warranty	<u>14,020</u>	<u>17,488</u>
	484,658	360,438
Less: Valuation allowances	<u>527</u>	<u>704</u>
	484,131	359,734
Equity in net income of overseas subsidiaries	<u>(1,151,657)</u>	<u>(1,113,331)</u>
Net deferred income tax liabilities	<u>\$ (667,526)</u>	<u>\$ (753,597)</u>

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

Tax Credit Item	Total Creditable Amount	Unused Creditable Amount	Expiry Year
Research and development expenditures	\$ 22,764	\$ 69	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 has filed application for the grant of tax incentive. As of December 31, 2009, the amount invested in the investment plans totaled \$652,711 thousand, with investment tax credit amount of \$130,540 thousand. For the amount of \$130,538 thousand of the investment plans, the Company has completed the application in December 2009, but have not yet obtained the approval of the tax authority as of February 24, 2010. The expiry year of the tax credit is 2013.

As of December 31, 2009, the Company had tax credits resulting from loss carryforwards. The tax credits and their expiry years were as follows:

Credit Item	Total Income Tax Credit Amount	Unused Income Tax Credit Amount	Year of Expiration
Loss carryforwards	\$ 60,495	\$ 60,495	2018
Loss carryforwards	81,843	81,843	2019

As of December 31, 2009, Yi Hsing Corporation had tax credits resulting from prior years' loss carryforwards. The tax credits and their expiry years were as follows:

Regulatory Basis of Tax Credits	Credit Item	Total Income Tax Credit Amount	Unused Income Tax Credit Amount	Year of Expiration
Income Tax Law	Prior year's loss carryforwards	\$ 527	\$ 527	2011

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

	December 31	
	2009	2008
Balance of imputation credit account ("ICA")	<u>\$ 412,690</u>	<u>\$ 385,898</u>

The Company estimated ICA rate for the 2009 earnings as of December 31, 2009 and the actual ICA rate for the 2008 earnings were 11.87% and 13.68%, respectively.

The credit available for allocation to the Company stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2009 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

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

16. PENSION PLAN

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

Pension expenses recognized under the defined contribution plan was \$9,609 thousand and \$9,975 thousand in 2009 and 2008, respectively. Accrued pension liabilities under defined contribution plan amounted to \$1,532 thousand and \$1,713 thousand as of December 31, 2009 and 2008, respectively.

Following the provisions of the Labor Standards Law, which was promulgated earlier than the Labor Pension Act, the Company set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. The Company makes monthly contributions to a retirement fund equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan.

As of December 31, 2009, subsidiaries of the Company had no pension plan for employees.

The status of the defined benefit pension plan as of and for the years ended December 31, 2009 and 2008 is summarized as follows:

a. Net pension cost was as follows:

	2009	2008
Service cost	\$ 12,647	\$ 11,794
Interest cost	11,016	12,135
Expected return of pension assets	(430)	(351)
Amortization	<u>12,004</u>	<u>12,004</u>
Net pension cost	<u>\$ 35,237</u>	<u>\$ 35,582</u>

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

	December 31	
	2009	2008
Benefit obligations:		
Vested benefit obligation	\$ 186,468	\$ 174,163
Non-vested benefit obligation	<u>202,859</u>	<u>201,208</u>
Accumulated benefit obligation	389,327	375,371
Additional benefits based on future salaries	<u>112,122</u>	<u>114,207</u>
Projected benefit obligation	501,449	489,578
Fair value of plan assets	<u>(7,496)</u>	<u>(13,557)</u>
Funded status	493,953	476,021
Prior service cost	(24,920)	(27,424)
Benefit obligations:		
Unrecognized net transition obligation	(51,521)	(61,021)
Unrecognized net loss	<u>5,408</u>	<u>11,038</u>
Accrued pension liability	<u>\$ 422,920</u>	<u>\$ 398,614</u>
c. Vested benefits	<u>\$ 249,516</u>	<u>\$ 238,534</u>
d. Actuarial assumptions		
Discount rate	2.00%	2.25%
Rate of salary increase	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.50%
e. Contributions and payments		
	2009	2008
Contributions	<u>\$ 6,274</u>	<u>\$ 7,150</u>
Payments	<u>\$ 17,046</u>	<u>\$ 8,612</u>

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2009		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ 3,747	\$ 362,371	\$ 366,118
Labor and health insurance	200	26,053	26,253
Pension	363	42,529	42,892
Other personnel expenses	<u>163</u>	<u>20,779</u>	<u>20,942</u>
	<u>\$ 4,473</u>	<u>\$ 451,732</u>	<u>\$ 456,205</u>
Depreciation	<u>\$ 724</u>	<u>\$ 25,600</u>	<u>\$ 26,324</u>
Amortization	<u>\$ 831,137</u>	<u>\$ 26,678</u>	<u>\$ 857,815</u>
	2008		
	Operating Cost	Operating Expenses	Total
Personnel expenses			
Salaries	\$ -	\$ 437,780	\$ 437,780
Labor and health insurance	-	29,625	29,625
Pension	-	45,557	45,557
Other personnel expenses	<u>-</u>	<u>21,467</u>	<u>21,467</u>
	<u>\$ -</u>	<u>\$ 534,429</u>	<u>\$ 534,429</u>
Depreciation	<u>\$ -</u>	<u>\$ 33,237</u>	<u>\$ 33,237</u>
Amortization	<u>\$ 750,726</u>	<u>\$ 56,211</u>	<u>\$ 806,937</u>

18. 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>	
	Income Before Income Tax	Net Income	Shares (Denomi- nator) (Thousands)	Income Before Income Tax	Net Income
<u>2009</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 580,710	\$ 652,878	300,000	<u>\$ 1.94</u>	<u>\$ 2.18</u>
Effect of dilutive potential common Stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>196</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 580,710</u>	<u>\$ 652,878</u>	<u>300,196</u>	<u>\$ 1.93</u>	<u>\$ 2.17</u>

	<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 Income Tax</u>	<u>Net Income</u>
<u>2008</u>					
Basic EPS					
Income for the period attributable to common stockholders	\$ 606,533	\$ 504,322	300,000	<u>\$ 2.02</u>	<u>\$ 1.68</u>
Effect of dilutive potential common Stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>230</u>		
Diluted EPS					
Income for the period attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 606,533</u>	<u>\$ 504,322</u>	<u>300,230</u>	<u>\$ 2.02</u>	<u>\$ 1.68</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.

19. RELATED-PARTY TRANSACTIONS

The Group had business transactions with the following related parties:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Nissan Motor Corporation (“Nissan”)	Parent company
PT. Nissan Motor Indonesia (“NMP”)	Equity-method investee of Nissan
Nissan Motor (Thailand) Co., Ltd. (formerly 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 India Private Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
Nissan Vietnam Co., Ltd.	Same as above
Nissan Motors Co., Ltd. Honmoku Plant	Same as above
Chien Tai Industry Co., Ltd.	Same as above
Taiwan Calsonic Co., Ltd.	Same as above
Dongfeng Yi Jin Co., Ltd.	Equity-method investee of Nissan Motor Corporation
Zhengzhou Nissan Automobile Co., Ltd.	Same as above
Dongfeng Nissan Passenger Vehicle Co.	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
Yu Chang Motor Co., Ltd.	Same as above
Sin Etke Technology Co., Ltd.	Same as above
Yu Sing Motor Co., Ltd.	Same as above
Empower Motor Co., Ltd.	Same as above
Uni Auto Parts Co., Ltd.	Same as above
Chan Yun Technology Co., Ltd.	Same as above
Y-teks, Co.	Same as above
Singan Co., Ltd.	Same as above
Yulon General Motors Co.	Same as above
Yulon Management Co., Ltd. (formerly Sin Chi Co., Ltd.)	Same as above
Singual Technology Co., Ltd.	Subsidiary of Singan Co., Ltd.
Hsiang Shou Enterprise Co., Ltd.	Same as above
Hong Shou Culture Enterprise Co., Ltd.	Same as above
Sinboum Travel Service Co., Ltd.	Same as above
China Motor Corporation	Equity-method investee of Yulon Motor Co., Ltd.
ROC Spicer Ltd.	Same as above
Uni Calsonic Corporation	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
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.	Subsidiary of Yulon Management Co., Ltd.
Yu Chia Motor Co., Ltd.	Same as above

(Continued)

Related Party	Relationship with the Company
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.
Tang Li Enterprise Co., Ltd.	Subsidiary of Yu Tang Motor Co., Ltd.
Y. M. Hi-Tech Industry	Subsidiary of China Ogihara Corporation
Nissan Motor Philippines, Inc. (NMPI)	Equity-method investee of Yulon Motor Co., Ltd.
Taiway, Ltd.	Same as above
Lev Vian Enterprise Co., Ltd.	Same as above
Ding Long Motor Co., Ltd.	Subsidiary of Chen Long Co., Ltd.
Lian Cheng Motor Co., Ltd.	Same as above
CL Skylite Trading Co., Ltd.	Substantial related party of Chen Long Co., Ltd.
Yuan Jyh Motor Co., Ltd.	Subsidiary of Yuan Lon Motor Co., Ltd.
Kian Shen Corporation	Substantial related party of Yulon Motor Co., Ltd.
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.	Subsidiary of Diamond Leasing Service Co., Ltd.
Carnival Co., Ltd.	The chairman of the board of director is the same person as that of the Company

(Concluded)

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

	2009		2008	
	Amount	%	Amount	%
1) Operating revenue - sales revenue				
Taiwan Acceptance Corporation	\$ 18,027,876	84	\$ 14,076,504	75
Chi Ho Corporation	372,088	2	522,697	3
Yu Sing Motor Co., Ltd.	308,681	2	283,920	2
Yuan Lon Motor Co., Ltd.	287,010	1	294,526	2
Yu Chang Motor Co., Ltd.	285,187	1	204,691	1
Chen Long Co., Ltd.	231,419	1	883,303	5
Empower Motor Co., Ltd.	204,081	1	202,557	1
Yu Tang Motor Co., Ltd.	194,642	1	198,679	1
Yushin Motor Co., Ltd.	188,238	1	235,137	1
Hui-Lian Motor Co.	183,074	1	181,812	1
Nissan Motor Egypt S.A.E.	84,696	-	110,440	-
NMPI	79,984	-	131,322	-
Singual Technology Co., Ltd.	63,241	-	67,100	-
Sin Etke Technology Co., Ltd.	54,222	-	40,631	-
Chi Long Motor Co., Ltd.	30,600	-	131,810	1
Nissan Mexicana, S.A. De C.V.	-	-	522,410	3
Others	<u>322,157</u>	<u>2</u>	<u>293,145</u>	<u>2</u>
	<u>\$ 20,917,196</u>	<u>97</u>	<u>\$ 18,380,684</u>	<u>98</u>
2) Operating revenue - service revenue				
Nissan	<u>\$ 150,357</u>	<u>100</u>	<u>\$ 647,713</u>	<u>100</u>

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

	2009		2008	
	Amount	%	Amount	%
3) Operating revenue - other				
Yulon	\$ 21,019	81	\$ 6,747	12
Yu Pool Co., Ltd.	2,182	8	4,548	8
Zhengzhou Nissan Automobile Co., Ltd.	1,126	4	39,081	69
Others	<u>911</u>	<u>4</u>	<u>4,676</u>	<u>8</u>
	<u>\$ 25,238</u>	<u>97</u>	<u>\$ 55,052</u>	<u>97</u>

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

	2009		2008	
	Amount	%	Amount	%
4) Operating cost - purchase				
Yulon	\$ 18,499,070	99	\$ 16,163,878	99
Others	<u>17,758</u>	<u>-</u>	<u>9,934</u>	<u>-</u>
	<u>\$ 18,516,828</u>	<u>99</u>	<u>\$ 16,173,812</u>	<u>99</u>
5) Operating cost - Technical Cooperation Agreement (TCA)				
Nissan	<u>\$ 351,823</u>	<u>100</u>	<u>\$ 290,436</u>	<u>100</u>
6) Operating expenses - rental				
Yulon	\$ 31,129	41	\$ 74,709	60
Ka-Plus Automobile Leasing Co., Ltd.	8,981	12	7,121	6
Hsieh Kuan Manpower Service Co., Ltd.	3,262	4	5,691	5
Taiwan Acceptance Corporation	2,691	4	5,871	5
Others	<u>981</u>	<u>1</u>	<u>1,116</u>	<u>1</u>
	<u>\$ 47,044</u>	<u>62</u>	<u>\$ 94,508</u>	<u>77</u>

The Company's rental expenses to Yulon are primarily comprised of customer service system, building property and car testing expenses, and pay the rental expenses monthly. The Company leases cars, as needed for its executives, from Ka-Plus Automobile Leasing Co., Ltd. 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.

	2009		2008	
	Amount	%	Amount	%
7) Operating expenses - marketing and selling expense				
Taiwan Acceptance Corporation	\$ 218,884	11	\$ 127,498	7
Yu Sing Motor Co., Ltd.	177,189	9	145,464	9
Yu Chang Motor Co., Ltd.	155,410	8	95,226	6
Yuan Lon Motor Co., Ltd.	137,696	7	107,659	6
Empower Motor Co., Ltd.	123,158	6	88,739	5
Chen Long Co., Ltd.	115,382	6	94,269	5
Yushin Motor Co., Ltd.	108,458	6	78,385	5
Hui-Lian Motor Co.	92,390	5	76,942	5
Yu Tang Motor Co., Ltd.	90,959	5	81,834	5
Chi Ho Corporation	85,014	4	99,389	6
Tokio Marine Nawa Insurance Co., Ltd.	742	-	83,882	5
Others	<u>159,197</u>	<u>8</u>	<u>192,348</u>	<u>11</u>
	<u>\$ 1,464,479</u>	<u>75</u>	<u>\$ 1,271,635</u>	<u>75</u>

8) Operating expenses - general and administrative expense

Yulon Management Co., Ltd.	\$ 43,000	16	\$ -	-
Yulon	8,431	3	10,138	4
Sinboum Travel Service Co., Ltd.	3,985	1	6,038	2
Tokio Marine Nawa Insurance Co., Ltd.	2,849	1	4,285	2
Others	<u>9,773</u>	<u>4</u>	<u>10,365</u>	<u>4</u>
	<u>\$ 68,038</u>	<u>25</u>	<u>\$ 30,826</u>	<u>12</u>

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

	2009		2008	
	Amount	%	Amount	%
9) Operating expenses - research and development expense				
Hsiang Shou Enterprise Co., Ltd.	\$ 24,989	5	\$ 26,118	4
Yulon	22,698	5	38,459	5
Others	<u>3,524</u>	<u>1</u>	<u>6,982</u>	<u>1</u>
	<u>\$ 51,211</u>	<u>11</u>	<u>\$ 71,559</u>	<u>10</u>

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

	2009		2008	
	Amount	%	Amount	%
10) Nonoperating income - others				
Tokio Marine Nawa Insurance Co., Ltd.	\$ 6,274	31	\$ 7,559	53
Yulon	857	4	856	6
Others	<u>920</u>	<u>5</u>	<u>92</u>	<u>-</u>
	<u>\$ 8,051</u>	<u>40</u>	<u>\$ 8,507</u>	<u>59</u>

	2009		2008	
	Amount	%	Amount	%
11) Nonoperating expenses and losses - overseas business expense				
Yulon	\$ 11,994	24	\$ 15,251	61
Sinjang Co., Ltd.	6,268	13	7,935	31
Others	<u>1,913</u>	<u>4</u>	<u>1,479</u>	<u>6</u>
	<u>\$ 20,175</u>	<u>41</u>	<u>\$ 24,665</u>	<u>98</u>
12) Nonoperating expenses and losses - others				
Yulon	<u>\$ 9,428</u>	<u>27</u>	<u>\$ 857</u>	<u>3</u>
	December 31			
	2009		2008	
	Amount	%	Amount	%
13) Notes and accounts receivable - related parties				
Taiwan Acceptance Corporation	\$ 163,731	41	\$ 137,004	24
NMPI	56,005	14	74,004	13
Nissan Motor Egypt S.A.E.	23,957	6	60,104	10
Sin Etke Technology Co., Ltd.	22,079	6	9,440	2
Chi Ho Corporation	13,811	3	18,991	3
Yuan Lon Motor Co., Ltd.	13,023	3	6,934	1
Singual Technology Co., Ltd.	10,152	3	32,561	6
Nissan	8,351	2	185,976	32
Others	<u>84,284</u>	<u>22</u>	<u>54,552</u>	<u>9</u>
	<u>\$ 395,393</u>	<u>100</u>	<u>\$ 579,566</u>	<u>100</u>
14) Refundable deposits				
NMPI	<u>\$ 56</u>	<u>1</u>	<u>\$ 55</u>	<u>1</u>
15) Notes and accounts payable - related parties				
Yulon	\$ 504,342	61	\$ 355,590	54
Nissan	107,365	13	27,115	4
Taiwan Acceptance Corporation	83,127	10	48,733	7
Yu Sing Motor Co., Ltd.	25,304	3	14,149	2
Yueki Industrial Co., Ltd.	3,783	-	24,017	4
Uni Auto Parts Co., Ltd.	1,473	-	24,034	4
Others	<u>107,408</u>	<u>13</u>	<u>161,501</u>	<u>25</u>
	<u>\$ 832,802</u>	<u>100</u>	<u>\$ 655,139</u>	<u>100</u>
16) Sales revenue received in advance (recorded under other current liabilities)				
Zhengzhou Nissan Automobile Co., Ltd.	<u>\$ 2,584</u>	<u>4</u>	<u>\$ -</u>	<u>-</u>

- 17) The Company sold to Taiwan Acceptance Corporation accounts receivable amounted to \$1,875,493 thousand and \$2,166,294 thousand in 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 \$1,062 thousand and \$1,746 thousand in 2009 and 2008, respectively.
- 18) The Company bought tools of \$997 thousand from Nissan Taiwan, Ltd. and bought other equipments of \$221 thousand from Singual Technology Co., Ltd. in 2009. The tools and other equipments were recorded under property, plant and equipment.
- 19) Related-party sales of property, plant and equipment are summarized as follows:

	Amount	Carrying Value	Gain (Loss) on Disposal
<u>2009</u>			
Yushin Motor Co., Ltd.	\$ 2,338	\$ 6,201	\$ (3,863)
Yuan Lon Motor Co., Ltd.	772	699	73
Yueki Industrial Co., Ltd.	<u>33</u>	<u>32</u>	<u>1</u>
	<u>\$ 3,143</u>	<u>\$ 6,932</u>	<u>\$ (3,789)</u>
<u>2008</u>			
Ka-Plus Automobile Leasing Co., Ltd.	<u>\$ 476</u>	<u>\$ 475</u>	<u>\$ 1</u>

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

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

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

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
Dongfeng Nissan Passenger Vehicle Co.	\$ 72,164	\$ -
Y-teks, Co.	39,745	16,672
Taiwan Calsonic Co., Ltd.	26,835	-
Yueki Industrial Co., Ltd.	19,936	122,852
Chien Tai Industry Co., Ltd.	15,976	-
Uni Auto Parts Co., Ltd.	15,542	42,215
China Ogihara Corporation	15,458	23,140
Others	<u>19,078</u>	<u>38,589</u>
	<u>\$ 224,734</u>	<u>\$ 243,468</u>

22) Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2009	2008
Salaries	\$ 29,059	\$ 33,998
Incentives	3,571	4,749
Bonuses	<u>326</u>	<u>151</u>
	<u>\$ 32,956</u>	<u>\$ 38,898</u>

20. SIGNIFICANT COMMITMENTS

As of December 31, 2009, the Company has significant commitments and contingencies as follows:

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

The Company is responsible for developing new car models, refining designs, and providing the sales projection to Yulon. Yulon is responsible for transforming the sales projections into manufacturing plans, making the related materials orders and purchases, providing product quality assurance, delivering cars, and shouldering warranty expenses due to any defects in products made by Yulon.

- b. The Company has a sale and purchase contract of vehicles with Taiwan Acceptance Corporation. Besides, Taiwan Acceptance Corporation individually signed a display contract of vehicles with the Company's dealers. If any dealer violates the display contract, resulting in the need for Taiwan Acceptance Corporation to recover the display vehicles, the Company must assist in the settlement or buy-back the vehicles at the original price. From the sale and purchase contract-signing date to December 31, 2009, no buy-back of vehicles has occurred.
- c. The Company leases office from Yulon Motor Co., Ltd. According to the lease contract, the rentals for the next five years and after are as follows:

Year	Rental (Thousands)
2010	\$ 2,508
2011	2,508
2012	2,508
2013	2,508
2014 and after	8,987

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

Year	Rental (Thousands)
2010	\$ 273

- e. The Company had commitment to buy other equipment and molds for \$3,170 thousand and \$14,522 thousand, respectively.

21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets:				
Cash	\$ 736,555	\$ 736,555	\$ 1,093,738	\$ 1,093,738
Financial assets at fair value through profit or loss	1,129,590	1,129,590	-	-
Notes and accounts receivable	29,447	29,447	28,928	28,928
Notes and accounts receivable - related parties	395,393	395,393	579,566	579,566
Other financial assets	53,870	53,870	61,942	61,942
Long-term equity investments	13,495,986	13,297,728	12,334,674	12,072,851
Refundable deposits	7,416	7,416	5,920	5,920
Liabilities:				
Notes and accounts payable	2,977	2,977	44,386	44,386
Notes and accounts payable - related parties	832,802	832,802	655,139	655,139
Income tax payable	73,416	73,416	87,266	87,266
Accrued expenses	312,453	312,453	323,058	323,058
Accrued pension liabilities	424,452	424,452	400,327	400,327

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

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

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

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31		December 31	
	2009	2008	2009	2008
Financial assets at fair value through profit or loss:				
Financial assets held for trading				
Mutual funds	\$ 1,125,321	\$ -	\$ 4,269	\$ -

- d. Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were \$269 thousand and \$32,483 thousand for the years ended December 31, 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 Group would assess the risk before investing; therefore, no material market risks are anticipated.

2) Credit risk

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

3) Liquidity risk

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

22. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Table 1 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 5 (attached)
- j. Intercompany relationships and significant transactions: Table 6 (attached)
- k. Derivative financial transactions: None

1. Investment in Mainland China

- 1) Investee company name, description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 7 (attached)
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
 - a) Amount and percentage of purchase; the balance and percentage of related accounts payable: None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivable: None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: None
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

23. SEGMENT INFORMATION

a. Industry

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

b. Geographic

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

c. Export sales

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

d. Major customers

Client	2009		2008	
	Amount	% of Net Sales	Amount	% of Net Sales
Taiwan Acceptance Corporation	\$ 18,027,876	84	\$ 14,076,504	75

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 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	December 31, 2009				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
Yulon Nissan Motor Company, Ltd.	<u>Beneficiary certificates</u> Yuanta Wan Tai Bond Fund	-	Financial assets at fair value through profit or loss	6,911	\$ 100,000	-	\$ 100,001	
	Jih Sun Bond Fund	-	Financial assets at fair value through profit or loss	6,391	90,000	-	90,228	
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss	5,130	80,000	-	80,021	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss	1,831	30,000	-	30,019	
	PCA Well Pool Fund	-	Financial assets at fair value through profit or loss	1,545	20,000	-	20,058	
	JF (Taiwan) Wealth Management Fund	-	Financial assets at fair value through profit or loss	6,529	70,000	-	71,156	
	TIIM Bond	-	Financial assets at fair value through profit or loss	12,480	179,969	-	180,106	
	UPAMC James Bond Fund	-	Financial assets at fair value through profit or loss	626	10,000	-	10,008	
	Fubon CHI-HSIANG Fund	-	Financial assets at fair value through profit or loss	2,000	30,000	-	30,005	
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss	10,135	140,000	-	140,016	
	Union Bond Fund	-	Financial assets at fair value through profit or loss	4,762	60,000	-	60,245	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss	7,758	100,000	-	100,045	
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	4,452	53,000	-	53,221	
	Gathing Man AHL Futures Trust Fund of Fund	-	Financial assets at fair value through profit or loss	2,000	20,016	-	18,840	
	Cathay Mandarin Fund	-	Financial assets at fair value through profit or loss	1,000	10,000	-	9,900	
	AIG Global Multi-Strategy High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,225	40,000	-	41,431	
	Allianz Global Investors Taiwan Bond Fund	-	Financial assets at fair value through profit or loss	2,503	30,000	-	30,006	
Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss	2,515	30,000	-	30,009		
KGI Victory Fund	-	Financial assets at fair value through profit or loss	2,707	30,000	-	30,006		

(Continued)

Investor	Securities Type and Name	Relationship with the Investor	Financial Statement Account	December 31, 2009				Note
				Shares (Thousands)	Carrying Value (Note 1)	Percentage of Ownership	Market Value or Net Asset Value	
	Taishin Da Long Investment Trust Fund	-	Financial assets at fair value through profit or loss	397	\$ 4,000	-	\$ 4,269	
	<u>Stock</u> Yi-Jan Overseas Investment Co., Ltd.	Subsidiary	Long-term equity investments	84,987	13,536,847	100.00	13,536,847	Note 2
Yi-Jan Overseas Investment Co., Ltd.	<u>Stock</u> Jet Ford, Inc.	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	71,772	US\$ 422,889	100.00	US\$ 422,889	Note 2
	Yi Hsing Corporation	Subsidiary of Yi-Jan Overseas Investment Co., Ltd.	Long-term equity investments	1,100	US\$ 210	100.00	US\$ 210	Note 2
Jet Ford, Inc.	<u>Share certificates</u> Aeolus Xiangfan Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 44,129	16.55	US\$ 41,083	
	Guangzhou Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 300,890	40.00	US\$ 297,739	
	Aeolus Automobile Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 61,277	25.00	US\$ 61,277	
	Dong Feng Yulon Motors Sales Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,498	49.00	US\$ 7,498	
	Shenzhen Lan You Technology Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 7,245	45.00	US\$ 7,245	
	Dong Feng Yulon Used Cars Co., Ltd.	Equity-method investee of Jet Ford, Inc.	Long-term equity investments	-	US\$ 842	49.00	US\$ 842	

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

Note 2: Eliminated.

(Concluded)

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	-	-	-	\$ -	27,681	\$ 400,000	20,770	\$ 300,107	\$ 300,000	\$ 107	6,911	\$ 100,000
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	8,981	140,000	3,851	60,005	60,000	5	5,130	80,000
	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	-	-
	IBT 1699 Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	13,978	180,000	6,220	80,104	80,000	104	7,758	100,000
	Fuh-Hwa Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	10,135	140,000	-	-	-	-	10,135	140,000
	UNION Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	7,938	100,000	3,176	40,005	40,000	5	4,762	60,000
	TIIM Bond	Financial assets at fair value through profit or loss	-	-	-	-	28,032	404,000	15,552	224,180	224,031	149	12,480	179,969

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 2009

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Payable or Receivable (Note 2)		Note
			Purchase/Sale	Amount	% to Total (NOTE 3)	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	\$ 18,499,070	99	180 days after sales for parts 3 days after sales for vehicles	\$ -	-	\$ (477,994)	96	
	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	Sale	18,027,876	84	4 days after sales for parts 3 days after sales for vehicles	-	-	150,687	39	
	Chi Ho Enterprise Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	372,088	2	15 days after sales for parts 90 days after sales for vehicles	-	-	13,791	4	
	Yu Sing Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	308,681	2	15 days after sales for parts Immediate payment for vehicles	-	-	6,497	1	
	Yuan Lon Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	287,010	1	Same as above	-	-	12,645	3	
	Yu Chang Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	285,187	1	15 days after sales for parts	-	-	12,187	3	
	Chen Long Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	231,419	1	15 days after sales for parts Immediate payment for vehicles	-	-	5,612	1	
	Empower Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	204,081	1	Same as above	-	-	6,159	1	
	Yu Tang Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	194,642	1	Same as above	-	-	4,544	1	
	Yushin Motor Co., Ltd.	Subsidiary of Yulon Motor Co., Ltd.	Sale	188,238	1	Same as above	-	-	2,931	-	
Hui-Lian Motor Co., Ltd.	Equity-method investee of Yulon Motor Co., Ltd.	Sale	183,074	1	Same as above	-	-	-	-		

Note 1: Transaction terms are based on agreements.

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2009

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (NOTE)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yulon Nissan Motor Company, Ltd.	Taiwan Acceptance Corporation	Subsidiary of Yulon Motor Co., Ltd.	\$163,731	119.89	\$ -	-	\$163,731	\$ -

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 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 December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 1)	Note
				Dec. 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	\$13,536,847	\$ 2,445,220	\$ 2,445,220	Note 2
Yi-Jan Overseas Investment Co., Ltd.	Jet Ford, Inc. Yi Hsing Corporation	British Virgin Islands Philippines	Investment Inquire of parts sales prices and commission-based business	US\$ 57,171 US\$ 200	US\$ 57,171 US\$ 200	71,772 1,100	100.00 100.00	US\$422,889 US\$ 210	US\$ 74,019 US\$ (9)	US\$ 74,019 US\$ (9)	Note 2 Note 2
Jet Ford, Inc.	Aeolus Xiangfan Automobile Co., Ltd.	Hubei (Mainland China)	Developing and manufacturing of parts and vehicles and related services	US\$ 21,700	US\$ 21,700	-	16.55	US\$ 44,129	US\$ 75,548	US\$ 12,102	
	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\$300,890	US\$133,127	US\$ 51,870	
	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\$ 61,277	US\$ 21,350	US\$ 5,337	
	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\$ 7,498	US\$ 272	US\$ 133	
	Shenzhen Lan You Technology Co., Ltd.	Guangdong (Mainland China)	Developing, manufacturing and selling of computer software and hardware and computer technology consulting	US\$ 1,125	US\$ 1,125	-	45.00	US\$ 7,245	US\$ 2,114	US\$ 951	
	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\$ 842	US\$ 113	US\$ 56	

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

Note 2: Eliminated.

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2009 AND 2008

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

Year	Number (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details				
					Financial Statement Account	Amount (Note 3)	Payment Terms (Note 4)	% to Consolidated Total Sales or Assets (Note 5)	
2009	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	\$ 4,167	-	-	
			Yi Hsing Corporation	1	Notes and accounts payable - related parties	1,992	-	-	
					Commission expenses	349	-	-	
	2	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	4,167	-	-	
	3	Yi Hsing Corporation	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts receivable - related parties	1,992	-	-	
					Commission revenue	349	-	-	
2008	0	Yulon Nissan Motor Company, Ltd.	Jet Ford Inc.	1	Notes and accounts receivable - related parties	18,605	-	-	
					Notes and accounts payable - related parties	5	-	-	
			Yi Hsing Corporation	1	Notes and accounts payable - related parties	1,740	-	-	
			Commission expenses	678	-	-			
		1	Yi-Jan Overseas Investment Co., Ltd.	Yi Hsing Corporation	3	Notes and accounts receivable - related parties	33	-	-
		2	Jet Ford Inc.	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts payable - related parties	18,605	-	-
					Notes and accounts receivable - related parties	5	-	-	
	3	Yi Hsing Corporation	Yulon Nissan Motor Company, Ltd.	2	Notes and accounts receivable - related parties	1,740	-	-	
					Commission revenue	678	-	-	
			Yi-Jan Overseas Investment Co., Ltd.	3	Notes and accounts payable - related parties	33	-	-	

Note 1: Intercompany relationships are numbered as follows:

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

Note 2: Nature of relationships is numbered as follows:

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

Note 3: Eliminated.

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

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

YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 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 December 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 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%	\$ 399,857 (US\$ 12,102)	\$ 1,411,680 (US\$ 44,129)	\$ -
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%	1,713,830 (US\$ 51,870)	9,625,485 (US\$ 300,890)	1,269,572 (US\$ 39,777)
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%	176,355 (US\$ 5,337)	1,960,259 (US\$ 61,277)	-
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%	4,408 (US\$ 133)	239,855 (US\$ 7,498)	-
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%	31,436 (US\$ 951)	231,776 (US\$ 7,245)	-
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%	1,835 (US\$ 56)	26,931 (US\$ 842)	-

Accumulated Investment in Mainland China as of December 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)	\$9,162,084

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

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

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