

Stock code: 2227

**YULON NISSAN MOTOR CO., LTD.**  
**Handbook of 2018 Annual General**  
**Shareholders' Meeting**



Time: June 21, 2018

Location: No.3, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City,  
Taiwan, R.O.C

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**YULON NISSAN MOTOR CO., LTD.**

**2018 Annual General Shareholders' Meeting**

**Meeting Procedure**

1. Call to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Election Items
7. Other Items
8. Extraordinary Motions
9. Closure of the Meeting

# **YULON NISSAN MOTOR CO., LTD.**

## **2018 Annual General Shareholders' Meeting**

### **Agenda**

Time: Thursday, June 21, 2018 9:00 a.m.

Location: No.3, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City,  
Taiwan, R.O.C

#### **1. Call to Order**

#### **2. Chairman's Address**

#### **3. Report Items**

- (1) To report the Business Operations of 2017
- (2) 2017 Supervisors' Review Report
- (3) To report 2017 Compensation Distribution.

#### **4. Ratification Items**

- (1) Adoption of the 2017 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2017 Profits

#### **5. Discussion Items**

- (1) Approval of distribution by cash from legal reserve.
- (2) Amendment to "Operational Procedures for Making of Endorsements and Guarantees"
- (3) Amendment to "Operational Procedures for Acquisition and Disposal of Assets"
- (4) Amendment to the system of "Operational Procedures for Derivatives Trading"
- (5) Amendment to the system of "Procedures for Loaning of Funds to Other Parties"

#### **6. Elections Items**

Election of 7<sup>th</sup> term Directors

#### **7. Others Items**

The Lift on the Prohibition on 7<sup>th</sup> term Directors from "Concurrently Act as a Director and/or Manager of another company".

#### **8. Extraordinary Motions**

#### **9. Closure of the Meeting**

## **Report Items**

### **Item One:**

#### **The 2017 Business Report**

##### Business Report

#### **(I) Taiwan economic development**

Favored by the international rising price for raw materials and the increase in electronic products shipment, export shows robust growth while the private-sector consumption maintain moderate growth with eventually rising economic performance by quarter in 2017 and the annual economic growth reaches 2.86%.

A total of 435 thousand vehicles were sold in 2017 as a result of the subsidy policy for trade-in promoted by the government and the new vehicles launched actively by all car makers, representing 1.0% growth over the year of 2016. The sale of made-in-Taiwan vehicle had declined by 4.1%, imported vehicle grown by 8.8%; passenger vehicle declined by 5.7%, commercial vehicle declined by 6.1% and RV vehicle grown by 13.2%.

#### **(II) The Company's business report**

The Company sold 42,630 vehicles in 2017, with a marketing share of 9.8%; also, the operating income amounted to NT\$33.22 billion, the operating profit amounted to NT\$2.08 billion, representing 72.7% growth over the year of 2016, the net income before tax amounted to NT\$8 billion, representing 43.3% growth over the year of 2016, and the earnings per share after tax was NT\$22.14, representing 43.4% growth over the

year of 2016. The relevant business activities in 2017 are as follows:

#### 1. New car models marketed

NISSAN brand introduced two models with NISSAN new-generation V-Motion elements in 2017, including the iTIIDA with design core in “people and intelligence” in April and the improved model of SENTRA in November. The new models were launched with substantial upgrade in self-driving and safety shield accessories to provide car owners with comprehensive protection of safety and tranquility.

The introduction of brand-new Q60 model to INFINITI brand perfectly interprets the brand definition of “EMPOWER THE DRIVE with infinite possibilities” as micra-performance passenger and sports car. The model has been recognized by “iF Product Design Award” upon release.

#### 2. Corporate Social Responsibility

The Company upholds the business philosophy of “pursuit of customer satisfaction,” “creation of business prosperity,” and “contribution to social well-being” to pursue a steady growth and make it the Company’s policy of corporate social responsibility. The Company is committed to have this business philosophy substantiated in every detail in daily operation by exercising the Company’s core competence and value. The effort of reducing the generation of waste in each stage of R&D, design, production, and sale is implemented, not only introducing the recyclable plastic material to all car series comprehensively but also responding to the EU “parts material engraved” norms in order to consume

natural resources thriftily and to reduce the burden on the environment and pollution as well.

In response to global warming, the Company, in addition to substantiating energy-saving and carbon emission reduction measures internally and in the overall distribution system, in terms of the supply chain, has exercised the charisma of the central plant to actively establish a sustainable relationship with suppliers, and to urge the supply chain manufacturers urged to care about the environmental protection, safety and health, labor human right, and other issues in order to create a green value system together. In addition, a fun outdoor event is held regularly to blend education in entertainment together in order to invite car-owners and their families to care for environmental protection and to make an effort for the environment. The “Yulon-Nissan Taiwan Innovation Award” design competition has been held for years to cultivate outstanding design and R&D talents for Taiwan auto industry and to promote industrial upgrading and development. The “Employer Liability Insurance” premium is donated to the part-time janitors of the Department of Environmental Protection, Taipei City Government so to give a peace of mine to this group of silent heroes who have worked hard to keep the city clean and tidy.

At the same time, the corporate social responsibility report is prepared annually to disclose the Company’s fulfilling corporate social responsibility comprehensively and to continuously focus on the development of the relevant system and the change in corporate environment in order to enhance the performance of corporate social responsibility.

### 3. Business operation in Mainland China

A total of 28.879 million vehicles were sold in Mainland China in 2017, representing 3% growth over the year of 2016. Of which, a total of 24.718 million (increased by 1.4%) passenger cars and 4.161 million (increased by 14%) commercial vehicles were sold. For Dongfeng Nissan passenger cars, 1.251 million vehicles were sold in 2017, representing 11.9% growth over the year of 2016.

### **(III) The prospects**

#### 1. The business performance in 2018Q1

The Company sold 9,492 vehicles in the first quarter with a market share of 8.5%. The operating income amounted to NT\$8.36 billion; the operating profit amounted to NT\$0.43 billion; the net income before tax amounted to NT\$1.70 billion and the earnings per share after tax was NT\$3.70 .

#### 2. Introduction of new products

NISSAN launched the improved model of X-TRAIL in the second quarter, which only fully advances in the design of appearance but is also introduced with the NIM (NISSAN INTELLIGENT MOBILITY) to provide more comprehensive and auto safety technology system.

A whole-new strategic model – KICKS will be launched in fourth quarter, dominating the compact and medium SUV market through advantages in stylish and avant-garde design, complete safety accessories and the optimal oil consumption.

INFINITI introduced new small sports SUV QX30 in second quarter. Its unique look, its unique driving performance and safety technology were awarded with U.S. TAWA assessment for “2017 Best Compact



Luxury Recreational Vehicle.”

### 3. Improvement of Customer Service Satisfaction

NISSAN brand had been appreciated continuously by car owners in the 2017 J.D. Power “SSI new car sales satisfaction” and “CSI customer satisfaction” survey with the “No. 1 non-luxury car brand” awarded again. The sale and service quality will be upgraded continuously with the hardware and software equipment improved and the customer satisfaction upgraded effectively with the innovative information technology used and the prompt service provided.

For INFINITI brand, the Company will continue to have the show room upgraded in accordance with the internationally renowned “IREDI (INFINITI Retail Environment Design Initiative) global display site design specifications” and have a spacy, bright, and full of gallery atmosphere exhibition space created. At the same time, bases on the “P.C.E (Premium Customer Experience)” five-star service to give customers a “home coming” experience.

### 4. Export expansion

The auto parts exporting revenue amounted to NT\$148 million in 2017, including Thailand, Malaysia, the Philippines, Mainland China, South Korea, Japan, Egypt, Indonesia, and Vietnam. The Company will continue to expand auto parts export business in order to create greater revenue growth momentum for the Company.

### 5. Business operation in Mainland China

The vehicle sales in Mainland China in 2018 will reach 29.42 million vehicles, up 1.9% compared with 2017.

We are prudently optimistic and expect the sales performance by Dong Fong Nissan will likely exceed the total market growth.

With the support of all our shareholders and the concerted efforts of all our colleagues, Yulon-Nissan Taiwan is confident in creating the greatest benefits in a competitive market.

Chairman:



President:



Chief Accountant:



## Item Two:

### 2017 supervisors' review financial report

Yulon Nissan Motor Co., Ltd.

Supervisors' Review Report

The Board of Directors submits the 2017 Business Report, Financial Statements, and Earnings Distribution Proposal. Among them, the Financial Statements were audited by accountants Wan-Yi Liao and Robert Yu of Deloitte Touche Tohmatsu Ltd., who issued the audit report. The aforementioned Business Report, Financial Statements and Earnings Distribution Proposal were inspected by the Supervisors who affirmed that these reports have complied with related law and regulations of Company Act and, therefore, announced according to the regulation of Article 219 in Company Act.

Submitted to:

2018 Regular Shareholders' Meeting of the Company

Supervisors:

Wei Wen Investment Co., Ltd.

Representative: Kuan-Tao Lee

Representative: Tai-Ming Chen

Supervisors: Takahiko Ikushima



May 11 , 2018

## **Item Three:**

### **The 2017 Distribution of Employees' Remuneration**

1. According to the article 31 of incorporation, the Company's profits of current year shall be distributed not less than 0.1% as the employee compensation after offset the accumulated losses.
2. The employee compensation shall be distributed in cash with the amount of NT\$8,011 thousand dollars.

## **Ratification Items**

### **Proposal 1: Ratification of the 2017 Business Report and Financial Statements.**

**Please ratify.**

(Proposed by the Board of Directors.)

#### **Description:**

- (1)The compilation of the Company's Fiscal 2017 Business Report and Financial Statements are completed and has been approved by the Board of Directors. The Financial Statements have been audited and certified by Wan-Yi Liao, CPA, and Robert Yu, CPA, of Deloitte & Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.
- (2)Please refer to page 3 to page 8 and page 12 to page 40 of this handbook for the Fiscal 2017 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3)Adoption requested.

#### **Resolution:**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Yulon Nissan Motor Company, Ltd. (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming

our opinion thereon, and we do not provide a separate opinion on these matters.

### **Depreciation of Molds and Dies**

In the application of IAS 16 “Property, Plant and Equipment”, the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Company depreciates molds and dies on the basis of the unit of production method and examines the estimated units sold of each model according to the changes of the market semiannually as a basis to calculate amounts allocated to each mold and die. The depreciation of molds and dies in 2017 was \$450,244 thousand. The amount of depreciation of molds and dies is significant and estimates of units sold are highly dependent on management’s judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the financial statements, respectively; the related amounts are disclosed in Note 11 to the financial statements.

We obtained the information and documents regarding the estimated number of units of future sales by each model from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the transactions of molds and dies to verify original documents and cash flows and performed procedures such as field inventory and confirmation. Besides, we recalculated the amount of depreciation of molds and dies on the basis of estimated production volume in order to assess the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we compared whether there was a significant difference between the amended estimated number of units of future sales used in the financial statement of the last year and the actual sales units, so as to evaluate the appropriateness of management’s estimation.

### **Provisions for Warranties**

According to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, provisions are recognized at the best estimate of the expenditure

required to settle the present obligation at the end of the reporting date. The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017, the carrying amount of the provisions for warranties was \$151,484 thousand. Due to management's use of judgments in estimating the number of units of cars subject to warranties, warranty provisions recognized is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the financial statements, respectively; the related amounts are disclosed in Note 16 to the financial statements.

We obtained from management the information and documents regarding the estimated number of units of cars subject to warranty during the warranty period from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the ledgers of actual warranty expenditure this year to verify original documents and cash flows, and we recalculated the amount that should be provided for as warranty according to the warranty policy. Moreover, we compared whether there was a significant difference between the estimated number of units of cars subject to warranty used in the financial statements last year and the actual units of cars subject to warranty, so as to evaluate the appropriateness of management's estimation.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether



due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant

audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

**YULON NISSAN MOTOR COMPANY, LTD.**

**BALANCE SHEETS**

**DECEMBER 31, 2017 AND 2016**

<u>ASSET</u>	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$6,045,156	23	\$ 9,268,414	31
Financial assets at fair value through profit or loss	874,052	3	2,275,103	8
Notes receivable - related parties	1,612	-	4,174	-
Trade receivables	39,135	-	40,532	-
Trade receivables - related parties	902,139	4	545,098	2
Other receivables	123,460	1	57,311	-
Inventories	-	-	2,509	-
Prepayments	<u>20,069</u>	<u>-</u>	<u>15,853</u>	<u>-</u>
Total current assets	<u>8,005,623</u>	<u>31</u>	<u>12,208,994</u>	<u>41</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method	16,023,303	62	15,281,346	51
Property, plant and equipment	1,479,225	6	1,703,040	6
Computer software	20,882	-	17,407	-
Deferred tax assets	127,060	1	128,364	1
Other non-current assets	<u>114,548</u>	<u>-</u>	<u>387,771</u>	<u>1</u>
Total non-current assets	<u>17,765,018</u>	<u>69</u>	<u>17,517,928</u>	<u>59</u>
<b>TOTAL</b>	<u>\$25,770,641</u>	<u>100</u>	<u>\$29,726,922</u>	<u>100</u>

Chairman:



President:



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

<b>LIABILITIES AND EQUITY</b>	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ -	-	\$3,630,000	12
Notes payable - related parties	-	-	1536	-
Trade payables	55,385	-	33,967	-
Trade payables - related parties	875,464	3	1,083,176	4
Other payables	913,372	4	886,241	3
Current tax liabilities	442,943	2	452,079	1
Provisions	192,278	1	196,036	1
Other current liabilities	<u>66,184</u>	-	<u>27,730</u>	-
Total current liabilities	<u>2,545,626</u>	<u>10</u>	<u>6,310,765</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	62,931	-	65,387	-
Net defined benefit liabilities	392,625	2	441,009	2
Deferred tax liabilities	1,511,815	6	1,315,478	4
Other non-current liabilities	<u>63,020</u>	-	<u>39,940</u>	-
Total non-current liabilities	<u>2,030,391</u>	<u>8</u>	<u>1,861,814</u>	<u>6</u>
Total liabilities	<u>4,576,017</u>	<u>18</u>	<u>8,172,579</u>	<u>27</u>
<b>EQUITY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand shares; issued and outstanding - 300,000 thousand stocks	<u>3,000,000</u>	<u>12</u>	<u>3,000,000</u>	<u>10</u>
Capital surplus	<u>6,129,405</u>	<u>24</u>	<u>6,129,405</u>	<u>21</u>
Retained earnings				
Legal reserve	4,519,914	17	4,056,853	14
Special reserve	788,877	3	788,877	3
Unappropriated earnings	<u>7,131,446</u>	<u>28</u>	<u>7,541,356</u>	<u>25</u>
Total retained earnings	<u>12,440,237</u>	<u>48</u>	<u>12,387,086</u>	<u>42</u>
Other equity	<u>( 375,018)</u>	<u>(2)</u>	<u>37,852</u>	-
Total equity	<u>21,194,624</u>	<u>82</u>	<u>21,554,343</u>	<u>73</u>
<b>TOTAL</b>	<u>\$25,770,641</u>	<u>100</u>	<u>\$29,726,922</u>	<u>100</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**DECEMBER 31, 2017 AND 2016**

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$33,092,856	100	\$34,792,566	100
Service revenue	32,551	-	6,173	-
Other operating revenue	<u>96,367</u>	-	<u>61,707</u>	-
Total operating revenue	33,221,774	100	34,860,446	100
OPERATING COSTS	<u>27,037,319</u>	<u>82</u>	<u>29,813,797</u>	<u>86</u>
GROSS PROFIT	<u>6,184,455</u>	<u>18</u>	<u>5,046,649</u>	<u>14</u>
OPERATING EXPENSES				
Selling and marketing expenses	3,092,559	9	2,938,452	8
General and administrative expenses	322,756	1	372,841	1
Research and development expenses	<u>672,305</u>	<u>2</u>	<u>525,674</u>	<u>2</u>
Total operating expenses	<u>4,087,620</u>	<u>12</u>	<u>3,836,967</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES	<u>(685)</u>	-	<u>14,581</u>	-
PROFIT FROM OPERATIONS	<u>2,096,150</u>	<u>6</u>	<u>1,224,263</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	6,225,205	19	4,536,994	13
Interest income	139,956	-	65,702	-
Gain on financial assets at fair value through profit or loss, net	4,052	-	10,103	-
Other revenue	2,000	-	1,521	-
Gain(loss) on disposal of investment, net	1,945	-	(19,444)	-
Net foreign exchange loss	(441,720)	(1)	(180,828)	-
Interest expenses	(11,158)	-	(34,726)	-

	2017		2016	
	Amount	%	Amount	%
Overseas business expenses	(10,915)	-	(13,259)	-
Other losses	(2,094)	-	(4,222)	-
Total non-operating income and expenses	<u>5,907,271</u>	<u>18</u>	<u>4,361,841</u>	<u>13</u>
PROFIT BEFORE INCOME TAX	8,003,421	24	5,586,104	16
INCOME TAX EXPENSES	<u>1,360,921</u>	<u>4</u>	<u>955,489</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>6,642,500</u>	<u>20</u>	<u>4,630,615</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	12,930	-	(20,226)	-
Share of the other comprehensive loss income of subsidiaries accounted for using equity method	(98)	-	(64)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(2,181)</u>	<u>-</u>	<u>3,449</u>	<u>-</u>
	<u>10,651</u>	<u>-</u>	<u>(16,841)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(412,870)</u>	<u>(1)</u>	<u>(1,264,609)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>(402,219)</u>	<u>(1)</u>	<u>(1,281,450)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,240,281</u>	<u>19</u>	<u>\$ 3,349,165</u>	<u>10</u>
EARNINGS PER SHARE				
Basic	<u>\$ 22.14</u>		<u>\$ 15.44</u>	
Diluted	<u>\$ 22.14</u>		<u>\$ 15.43</u>	

Chairman:



President:



Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**DECEMBER 31, 2017 AND 2016**

	<u>Capital Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2016	\$ 3,000,000	\$ 6,129,405
Appropriation of 2015 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$12.5 share	-	-
	-	-
Net profit for the year ended December 31, 2016	-	-
Other comprehensive income for the year ended December 31, 2016 net of income tax	-	-
Total comprehensive income(loss) for the year ended December 31, 2016	-	-
BALANCE AT DECEMBER 31, 2016	3,000,000	6,129,405
Appropriation of 2016 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$22 per share	-	-
	-	-
Net profit for the year ended December 31, 2017	-	-
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-
BALANCE AT DECEMBER 31, 2017	\$ 3,000,000	\$ 6,129,405

Chairman:



President:





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

Retained Earnings			Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Total Equity
<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 7,094,172</u>	<u>\$ 1,302,461</u>	<u>\$ 21,955,178</u>
416,590		( 416,590)	-	-
-		( 3,750,000)	-	( 3,750,000)
<u>416,590</u>		<u>( 4,166,590)</u>	-	<u>( 3,750,000)</u>
		4,630,615		4,630,615
-	-		-	
-	-	( 16,841)	( 1,264,609)	( 1,281,450)
-	-	4,613,774	( 1,264,609)	3,349,165
<u>4,056,853</u>	<u>788,877</u>	<u>7,541,356</u>	<u>37,852</u>	<u>21,554,343</u>
463,061	-	( 463,061)	-	-
-	-	( 6,600,000)	-	( 6,600,000)
<u>463,061</u>	-	<u>( 7,063,061)</u>	-	<u>( 6,600,000)</u>
-	-	6,642,500	-	6,642,500
-	-	10,651	( 412,870)	( 402,219)
-	-	6,653,151	( 412,870)	6,240,281
<u>\$ 4,519,914</u>	<u>\$ 788,877</u>	<u>\$ 7,131,446</u>	<u>(\$ 375,018)</u>	<u>\$ 21,194,624</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**STATEMENTS OF CASH FLOW**  
**DECEMBER 31, 2017 AND 2016**

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

	2017	2016
CASH FLOWS FROM OPERATING		
ACTIVITIES		
Income before income tax	\$ 8,003,421	\$ 5,586,104
Adjustments for:		
Depreciation expenses	483,121	442,764
Amortization expenses	5,280	4,941
Gain on financial assets at fair value through profit or loss, net	( 4,052 )	( 10,103 )
Interest expense	11,158	34,726
Interest income	( 139,956 )	( 65,702 )
Share of the profit of subsidiary	( 6,225,205 )	( 4,536,994 )
Loss (gain) on disposal of property, plant and equipment, net	685	( 14,581 )
Loss (gain) on disposal of investment, net	(1,945)	19,444
Net foreign exchange loss	19,778	69,364
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,407,048	( 792,901 )
Notes receivable - related parties	2,562	1,965
Trade receivables	1,393	30,400
Trade receivables - related parties	( 357,071 )	( 43,370 )
Other receivables	( 81,761 )	( 2,545 )
Inventories	2,509	511
Prepayments	( 4,216 )	53
Notes payable	-	( 243,000 )
Notes payable - related parties	( 1,536 )	1,536
Trade payables	21,418	( 20,006 )
Trade payables - related parties	32,266	( 57,363 )
Other payables	28,325	( 15,701 )
Other current liabilities	38,454	( 3,702 )
Provisions	( 6,214 )	14,873
Other non-current liabilities	23,080	39,940
Net defined benefit liabilities	( <u>35,454</u> )	( <u>152,580</u> )
Cash generated from operations	3,401,088	288,073

	<u>2017</u>	<u>2016</u>
Interest paid	(\$ 12,352)	(\$ 34,714)
Income tax paid	( 662,080)	( 867,376)
Net cash used in operating activities	<u>2,726,656</u>	<u>( 614,017)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	4,563,252	5,549,705
Interest received	155,568	49,405
Payments for property, plant and equipment	( 505,559)	( 281,772)
Proceeds from disposal of property, plant, and equipment	3,986	22,478
Payments for computer software	( 11,460)	( 8,018)
Decrease in refundable deposits	<u>277,532</u>	<u>29,410</u>
Net cash generated from investing activities	<u>4,483,319</u>	<u>5,361,208</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	( 3,630,000)	-
Payments of dividends	( 6,600,000)	( 3,750,000)
Cash used in financing activities	<u>( 10,230,000)</u>	<u>( 3,750,000)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>( 203,233)</u>	<u>( 92,389)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>( 3,223,258)</b>	<b>904,802</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>9,268,414</u></b>	<b><u>8,363,612</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 6,045,156</u></b>	<b><u>\$ 9,268,414</u></b>

Chairman:



President:



Chief Accountant:



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Yulon Nissan Motor Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to

provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Depreciation of Molds and Dies**

In the application of IAS 16 “Property, Plant and Equipment”, the depreciable amount of an asset should be allocated on a systematic basis over its useful life. The Group depreciates molds and dies on the basis of the unit production method and examines the estimated units sold of each model according to the changes of the market semiannually as a basis to calculate amounts allocated to each mold and die. The depreciation of molds and dies in 2017 was \$450,244 thousand. The amount of depreciation of molds and dies is significant and estimates of units sold are highly dependent on management’s judgment. Therefore, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 12 to the consolidated financial statements.

We obtained the information and documents regarding the estimated number of units of future sales by each model from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the transactions of molds and dies to verify original documents and cash flows and performed procedures such as field inventory and confirmation. Besides, we recalculated the amount of depreciation of molds and dies on the basis of estimated production volume in order to assess the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we compared whether there

was a significant difference between the amended estimated number of units of future sales used in the consolidated financial statements of the last year and the actual sales units, so as to evaluate the appropriateness of management's estimation.

### **Provisions for Warranties**

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting date. The provisions for warranties are calculated on the basis of the estimate of quarterly warranty expenditure per car and estimated units subject to warranty during the future warranty period. The estimate of quarterly warranty expenditure per car is calculated based on the average of actual warranty expense in the past and the estimated number of units of cars subject to warranty at the end of every quarter. As of December 31, 2017, the carrying amount of the provisions for warranties was \$151,484 thousand. Due to management's use of judgments in estimating the number of units of cars subject to warranties, warranty provisions recognized is considered to be a key audit matter.

The related accounting policy and critical accounting judgments are disclosed in Notes 4 and 5 to the consolidated financial statements, respectively; the related amounts are disclosed in Note 17 to the consolidated financial statements.

We obtained from management the information and documents regarding the estimated number of units of cars subject to warranty during the warranty period from management and assessed the rationality and reliability of the supporting information. In addition, we sampled the ledgers of actual warranty expenditure this year to verify original documents and cash flows, and we recalculated the amount that should be provided for as warranty according to the warranty policy. Moreover, we compared whether there was a significant difference between the estimated number of units of cars subject to warranty used in the consolidated financial statements last year and the actual units of cars subject to warranty, so as to evaluate the appropriateness of

management's estimation.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including independent directors and supervisors, are responsible for overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

**YULON NISSAN MOTOR COMPANY, LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

ASSET	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,822,021	26	\$ 9,909,754	33
Financial assets at fair value through profit or loss	874,052	3	2,275,103	8
Notes receivable - related parties	1,612	-	4,174	-
Trade receivables	39,135	-	40,532	-
Trade receivables - related parties	897,956	4	538,408	2
Other receivables	125,753	1	57,622	-
Inventories	-	-	2,509	-
Prepayments	<u>23,814</u>	-	<u>15,853</u>	-
Total current assets	<u>8,783,713</u>	<u>34</u>	<u>12,843,955</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method	15,251,359	59	14,659,211	49
Property, plant and equipment	1,479,225	6	1,703,040	6
Computer software	20,882	-	17,407	-
Deferred tax assets	127,060	1	128,364	1
Other non-current assets	<u>114,548</u>	-	<u>387,771</u>	<u>1</u>
Total non-current assets	<u>16,993,074</u>	<u>66</u>	<u>16,895,793</u>	<u>57</u>

Total	<u>\$25,776,787</u>	<u>100</u>	<u>\$29,739,748</u>	<u>100</u>
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Chairman:



President:



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

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ -	-	\$ 3,630,000	12
Notes payable - related parties	-	-	1,536	-
Trade payables	55,385	-	33,967	-
Trade payables - related parties	875,464	3	1,083,176	4
Other payables	913,372	4	886,241	3
Current tax liabilities	442,943	2	452,079	1
Provisions	192,278	1	196,036	1
Other current liabilities	66,184	-	27,730	-
Total current liabilities	<u>2,545,626</u>	<u>10</u>	<u>6,310,765</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	62,931	-	65,387	-
Credit balance of investments accounted for using equity method	6,146	-	12,826	-
Net defined benefit liabilities	392,625	2	441,009	2
Deferred tax liabilities	1,511,815	6	1,315,478	5
Other non-current liabilities	63,020	-	39,940	-
Total non-current liabilities	<u>2,036,537</u>	<u>8</u>	<u>1,874,640</u>	<u>7</u>
Total liabilities	<u>4,582,163</u>	<u>18</u>	<u>8,185,405</u>	<u>28</u>
<b>EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand shares	<u>3,000,000</u>	<u>12</u>	<u>3,000,000</u>	<u>10</u>
Capital surplus	<u>6,129,405</u>	<u>24</u>	<u>6,129,405</u>	<u>20</u>
Retained earnings				
Legal reserve	4,519,914	17	4,056,853	14
Special reserve	788,877	3	788,877	3
Unappropriated earnings	<u>7,131,446</u>	<u>28</u>	<u>7,541,356</u>	<u>25</u>
Total retained earnings	<u>12,440,237</u>	<u>48</u>	<u>12,387,086</u>	<u>42</u>
Other equity	( 375,018)	(2)	37,852	-
Total equity				
<b>EQUITY</b>	<u>21,194,624</u>	<u>82</u>	<u>21,554,343</u>	<u>72</u>
<b>Total</b>	<u>\$25,776,787</u>	<u>100</u>	<u>\$29,739,748</u>	<u>100</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**DECEMBER 31, 2016 AND 2015**

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

	2017		2016	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Sales	\$ 33,092,856	100	\$ 34,792,566	100
Service revenue	32,551	-	6,173	-
Other operating revenue	<u>96,367</u>	<u>-</u>	<u>61,707</u>	<u>-</u>
Total operating revenue	33,221,774	100	34,860,446	100
<b>OPERATING COSTS</b>	<u>27,037,319</u>	<u>82</u>	<u>29,813,797</u>	<u>86</u>
<b>GROSS PROFIT</b>	<u>6,184,455</u>	<u>18</u>	<u>5,046,649</u>	<u>14</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing expenses	3,092,559	9	2,938,452	8
General and administrative expenses	343,218	1	395,067	1
Research and development expenses	<u>672,305</u>	<u>2</u>	<u>525,674</u>	<u>2</u>
Total operating expenses	<u>4,108,082</u>	<u>12</u>	<u>3,859,193</u>	<u>11</u>
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<u>(685)</u>	<u>-</u>	<u>14,581</u>	<u>-</u>
<b>PROFIT FROM OPERATIONS</b>	<u>2,075,688</u>	<u>6</u>	<u>1,202,037</u>	<u>3</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Share of profit of associates	6,071,238	18	4,904,037	14
Interest income	197,870	1	140,726	1
Gain on financial assets at fair value through profit or loss, net	4,052	-	10,103	-
Other revenue	2,000	-	1,541	-
Gain(loss) on disposal of investment, net	1,945		( 19,444)	
Net foreign exchange loss	( 325,205)	( 1)	( 600,689)	( 2)
Interest expenses	( 11,158)	-	( 34,726)	-
Overseas business expenses	( 10,915)	-	( 13,259)	-
Other losses	<u>( 2,094)</u>	<u>-</u>	<u>( 4,222)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,927,733</u>	<u>18</u>	<u>4,384,067</u>	<u>13</u>

	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 8,003,421	24	\$ 5,586,104	16
INCOME TAX EXPENSES	<u>1,360,921</u>	<u>4</u>	<u>955,489</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>6,642,500</u>	<u>20</u>	<u>4,630,615</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	12,930	-	( 20,226)	-
Share of other comprehensive (loss) income of subsidiaries accounted for using equity method	( 98)	-	( 64)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 2,181)	-	3,449	-
	<u>10,651</u>	<u>-</u>	<u>( 16,841)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 412,870)	( 1)	( 1,264,609)	( 3)
Other comprehensive income for the year, net of income tax	( 402,219)	( 1)	( 1,281,450)	( 3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,240,281</u>	<u>19</u>	<u>\$ 3,349,165</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO Owner of the Company	<u>\$ 6,642,500</u>	<u>20</u>	<u>\$ 4,630,615</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owner of the Company	<u>\$ 62,240,281</u>	<u>187</u>	<u>\$ 3,349,165</u>	<u>10</u>
EARNINGS PER SHARE				
Basic	<u>\$ 22.14</u>		<u>\$ 15.44</u>	
Diluted	<u>\$ 22.14</u>		<u>\$ 15.43</u>	

Chairman:



President:



Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**DECEMBER 31, 2017 AND 2016**

	<u>Capital Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2016	\$ 3,000,000	\$ 6,129,405
Appropriation of 2015 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$12.5 per share	-	-
	-	-
Net profit for the year ended December 31, 2016	-	-
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-
Total comprehensive income(loss)me for the year ended December 31, 2016	-	-
BALANCE AT DECEMBER 31, 2016	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2016 earnings		
Legal reserve	-	-
Cash dividend distributed by the Company - \$22per share	-	-
	-	-
Net profit for the year ended December 31, 2017	-	-
Other comprehensive income (loss)for the year ended December 31, 2017,net of income tax	-	-
Total comprehensive income (loss) for the year ended December 31,2017.	-	-
BALANCE AT DECEMBER 31, 2017	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

Chairman:



President:



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

Retained Earnings			Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences	Total Equity
			Foreign Operations	
<u>\$ 3,640,263</u>	<u>\$ 788,877</u>	<u>\$ 7,094,172</u>	<u>\$ 1,302,461</u>	<u>\$ 21,955,178</u>
416,590	-	( 416,590)	-	-
<u>-</u>	<u>-</u>	<u>( 3,750,000)</u>	<u>-</u>	<u>( 3,750,000)</u>
<u>416,590</u>	<u>-</u>	<u>( 4,166,590)</u>	<u>-</u>	<u>( 3,750,000)</u>
-	-	4,630,615	-	4,630,615
<u>-</u>	<u>-</u>	<u>( 16,841)</u>	<u>( 1,264,609)</u>	<u>( 1,281,450)</u>
<u>-</u>	<u>-</u>	<u>4,613,774</u>	<u>( 1,264,609)</u>	<u>3,349,165</u>
<u>4,056,853</u>	<u>788,877</u>	<u>7,541,356</u>	<u>37,852</u>	<u>21,554,343</u>
463,061	-	( 463,061)	-	-
<u>-</u>	<u>-</u>	<u>( 6,600,000)</u>	<u>-</u>	<u>( 6,600,000)</u>
<u>463,061</u>	<u>-</u>	<u>( 7,063,061)</u>	<u>-</u>	<u>( 6,600,000)</u>
-	-	6,642,500	-	6,642,500
<u>-</u>	<u>-</u>	<u>10,651</u>	<u>( 412,870)</u>	<u>( 402,819)</u>
<u>-</u>	<u>-</u>	<u>6,653,151</u>	<u>( 412,870)</u>	<u>6,240,281</u>
<u>\$ 4,519,914</u>	<u>\$ 788,877</u>	<u>\$ 7,131,446</u>	<u>(\$ 375,018)</u>	<u>\$ 21,194,624</u>

Chief Accountant:







**YULON NISSAN MOTOR COMPANY, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**DECEMBER 31, 2017 AND 2016**


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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,003,421	\$ 5,586,104
Adjustments for:		
Depreciation expenses	483,121	442,764
Amortization expenses	5,280	4,941
Gain on financial assets at fair value through profit or loss, net	( 4,052)	( 10,103)
Interest expense	11,158	34,726
Interest income	( 197,870)	( 140,726)
Share of the profit of associates	( 6,071,238)	( 4,904,037)
Loss (gain) on disposal of property, plant and equipment, net	685	( 14,581)
Loss (gain) on disposal of investment, net	( 1,945)	19,444
Net foreign exchange loss	46,992	522,564
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	1,407,048	( 792,901)
Notes receivable - related parties	2,562	1,965
Trade receivables	1,393	30,622
Trade receivables - related parties	( 359,577)	( 41,556)
Other receivables	( 81,761)	( 2,545)
Inventories	2,509	511
Prepayments	( 4,216)	53
Notes payable	-	( 243,000)
Notes payable - related parties	( 1,536)	1,536
Trade payables	21,418	( 20,006)
Trade payables - related parties	32,266	( 57,363)
Other payables	28,325	( 15,701)
Other current liabilities	38,454	( 4,777)
Provisions	( 6,214)	14,873

	2017	2016
Other non-current liabilities	23,080	39,940
Net defined benefit liabilities	( 35,454)	( 152,580)
Cash generated from operations	3,343,849	300,167
Interest paid	( 12,352)	( 34,714)
Income tax paid	( 1,174,805)	( 1,379,706)
Net cash used in operating activities	<u>2,156,692</u>	<u>( 1,114,253)</u>
CASH FLOWS FROM INVESTING		
ACTIVITIES		
Dividends received	5,168,975	5,123,304
Interest received	211,500	124,627
Payments for property, plant and equipment	( 505,559)	( 281,772)
Proceeds from disposal of property, plant, and equipment	3,986	22,478
Payments for computer software	( 11,460)	( 8,018)
Decrease in other financial assets	-	-
Decrease in refundable deposits	<u>277,532</u>	<u>29,410</u>
Net cash generated from investing activities	<u>5,144,974</u>	<u>5,010,029</u>
CASH FLOWS FROM FINANCING		
ACTIVITIES		
Repayments of short-term borrowings	( 3,630,000)	
Payments of dividends	( 6,600,000)	( 3,750,000)
Cash used in financing activities	<u>( 10,230,000)</u>	<u>( 3,750,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES		
ON THE BALANCE OF CASH HELD IN		
FOREIGN CURRENCIES		
	( 159,399)	( 372,854)
NET DECREASE IN CASH AND		
CASH EQUIVALENTS		
	( 3,087,733)	( 227,078)
CASH AND CASH EQUIVALENTS AT THE		
BEGINNING OF THE YEAR		
	<u>9,909,754</u>	<u>10,136,832</u>
CASH AND CASH EQUIVALENTS AT THE		
END OF THE YEAR		
	<u>\$ 6,822,021</u>	<u>\$ 9,909,754</u>

Chairman: 

President: 

Chief Accountant: 

## **Proposal 2: Recognition of 2017 Earnings Distribution.**

(Proposed by the Board of Directors.)

Description :

1. Based on the audited 2017 financial statement, YNM presents 2017 earnings distribution statement as page 42.
2. According to earnings distribution statement, YNM proposes to distribute NT\$20 per share and the undistributed profit from the most recent years shall be distributed first .The target date for distributing cash dividend will be set on August 27, 2018. According to the Article 165 of Company Act, entries into register of shareholder shall not be allowed within 5 days prior to the target date of distributing cash dividend. Hence, entries into register of shareholder are not allowed from August 23, 2018 to August 27, 2018.
3. Request to resolve.

Resolved:

**YULON NISSAN MOTOR CO., LTD.**



**2017 Earnings Distribution Statement**

Unit: NT dollar

Item	Sub-total	Total
Beginning retained earnings		478,294,490
Less: Adjustment arising from investments accounted for using equity method		(81,202)
Add: Remeasurement of defined benefit plans		10,732,144
2017 Adjusted undistributed earnings (excluded net income)		488,945,432
2017 Net income after tax	6,642,501,078	
Less : Legal reserves	(664,250,108)	
Less : Special reserves	(375,017,843)	
Less : Distribution of shareholders dividends (Cash dividends \$20 per share)	(6,000,000,000)	(396,766,873)
Ending Undistributed Earnings		92,178,559

Chairman:



President:



Chief Accountant:



## **Discussion Items**

### **Proposal 1: Approval of distribution by cash from legal reserve.**

(Proposed by the Board of Directors.)

Explanation:

1. In accordance with article 241 of the Company Act “Where a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting to distribute the legal reserve to its shareholders by cash”.
2. The company propose to distribute legal reserve, NT\$300 million by cash, which is NT\$1 per share and the target date for distributing cash will be set on August 27, 2018. According to the Article 165 of Company Act, entries into register of shareholder shall not be allowed within 5 days prior to the target date of distributing cash dividend. Hence, entries into register of shareholder are not allowed from August 23, 2018 to August 27, 2018.
3. Request to resolve.

Resolution:

**Proposal 2: Amendment to” Operational Procedures for Making of Endorsements and Guarantees ”.  
Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. In accordance with the Article 14-4 of Securities Exchange Act, the Company is planning to establish the Audit Committee starting from the 7th Board of Directors in replacement of the previous supervisor system. The “Operational Procedures for Making of Endorsements and Guarantees” of the Company shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 45 to page 47).
2. Request to resolve.

Resolution:

**Comparison Table for the “Operational Procedures for Making of Endorsements and Guarantees”**

After the revision	Before the revision	Description
	<u>Established date of the Procedures: March 30, 2004</u>	Delete the established date which in the 1 <sup>ST</sup> page of the Procedures.
<p><b>Article 4.4</b> Where the Company needs to exceed the limits set out in the procedures to satisfy its business requirements, and where the conditions set out in the procedures are complied with, it shall obtain approval from the <u>Audit Committee, after that obtain resolution from the</u> Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement and guarantee. It shall also amend the procedures accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	<p><b>Article 4.4</b> Where the Company needs to exceed the limits set out in the procedures to satisfy its business requirements, and where the conditions set out in the procedures are complied with, it shall obtain approval from the Board of Directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement and guarantee. It shall also amend the procedures accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	Collaborate to establish the Audit Committee and replace Supervisors.

After the revision	Before the revision	Description
<p><b>Article 4.5</b> If there is a change of circumstances and the object of the third parties guarantee does not conform to the provisions of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the amount exceeds the limit, the improvement plan should be developed and submitted to the <u>Audit Committee</u> for improvement completion within specified schedule.</p>	<p><b>Article 4.5</b> If there is a change of circumstances and the object of the third parties guarantee does not conform to the provisions of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the amount exceeds the limit, the improvement plan should be developed and submitted to the <u>supervisors</u> for improvement completion within specified schedule.</p>	<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 4.8</b> The Company’s Internal Audit Office shall conduct quarterly audits on making of endorsements and guarantees to third parties, and produce written reports to the <u>Audit Committee</u>. Any major violations discovered must be escalated immediately in writing to the <u>Audit Committee</u>.</p>	<p><b>Article 4.8</b> The Company’s Internal Audit Office shall conduct quarterly audits on making of endorsements and guarantees to third parties, and produce written reports to the <u>supervisors</u>. Any major violations discovered must be escalated immediately in writing to the <u>supervisors</u>.</p>	<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 4.12</b> <u>The major endorsements and guarantees of the Company shall be agreed by the Audit Committee according to relevant regulations with submission to the Board of Directors for resolution.</u></p>		<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>



After the revision	Before the revision	Description
<p><b>Article 10.1</b> The Procedures shall obtain approval by <u>the Audit Committee for the majority of the members, after that obtain resolution from</u> the Board of Directors and report to the shareholders' meeting for agreement. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee</u> and shareholders' meeting, the same procedures apply to revision. Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in shareholders' meeting.</p>	<p><b>Article 10</b> The Procedures shall obtain approval by the Board of Directors, <u>after that forward to the supervisors</u> and report to the shareholders' meeting for agreement. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>supervisors</u> and shareholders' meeting, the same procedures apply to revision. Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in shareholders' meeting.</p>	<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 10.2</b> <u>If the proposal in paragraph 1 has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>		
<p><b>Article 10.3</b> <u>The so-called "all Audit Committee members" and "all directors" in the preceding paragraph refer to all the incumbents.</u></p>		
<p><b>Article 11</b> The Procedures were established on March 30, 2004; 1st revised on June 22,2007; 2nd revised on June 22, 2009; 3rd revised on June 23, 2011 <u>and 4th revised on June 21, 2018.</u></p>	<p><b>Article 11</b> The Procedures were established on March 30, 2004; 1st revised on June 22,2007; 2nd revised on June 22, 2009 <u>and</u> 3rd revised on June 23, 2011.</p>	<p>Add revision date</p>

**Proposal 3: Amendment to” Operational Procedures for Acquisition and Disposal of Assets”.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. In accordance with the Article 14-4 of Securities Exchange Act, the Company is planning to establish the Audit Committee starting from the 7th Board of Directors in replacement of the previous supervisor system. The “Operational Procedures for Acquisition and Disposal of Assets” of the Company shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 49 to page 52).
2. Request to resolve.

Resolution:

## Comparison Table for the “Operational Procedures for Acquisition and Disposal of Assets”

After the revision	Before the revision	Description
<p><b>Article 13 .1</b> When intends to acquire or dispose of real property from or to a related party, or intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NTD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by <u>the Audit Committee for the majority of the members and obtain resolution from the Board of Directors :</u> (Omit)</p>	<p><b>Article 13 .1</b> When intends to acquire or dispose of real property from or to a related party, or intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NTD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and recognized by the supervisors:</u> (Omit)</p>	Collaborate to establish the Audit Committee and replace Supervisors.
<p><b>Article 13 .2</b> The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 25, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by <u>the Audit Committee for the majority of the members and obtain</u></p>	<p><b>Article 13 .2</b> The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 25, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors <u>and recognized by the</u></p>	Collaborate to establish the Audit Committee and replace Supervisors.

After the revision	Before the revision	Description
<p><u>resolution from the Board of Directors</u> need not be counted toward the transaction amount.</p>	<p><u>supervisors</u> need not be counted toward the transaction amount.</p>	
<p>Article 13 .3 According the paragraph <u>1</u>, the opinions of the independent directors should be considered comprehensively when the Procedures are presented in the Board meeting for discussion. If the independent directors have expressed objections, these objections must be on record or in writing.</p>	<p>Article 13 .3 According the <u>pervious</u> paragraph, the opinions of the independent directors should be considered comprehensively when the Procedures are presented in the Board meeting for discussion. If the independent directors have expressed objections, these objections must be on record or in writing.</p>	<p>Change the description of the wordings.</p>
<p><b><u>Article 13 .4</u></b> <u>If the proposal in paragraph 1 has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>		<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b><u>Article 13 .5</u></b> <u>The so-called “all Audit Committee members” and “all directors” in the preceding paragraph refer to all the incumbents.</u></p>		<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>

After the revision	Before the revision	Description
<p><b>Article 16.1.2</b> Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 14 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken: 2. The <u>Audit Committee</u> shall comply with Article 218 of the Company Act.</p>	<p><b>Article 16.1.2</b> Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 14 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken: 2. The <u>supervisors</u> shall comply with Article 218 of the Company Act.</p>	<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 29 .1</b> The procedures shall obtain approval <u>by the Audit Committee for the majority of the members, after that obtain resolution from</u> by the Board of Directors and report to the Shareholder’s Meeting for agreement, so is the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee</u>.</p>	<p><b>Article 29 .1</b> The procedures shall obtain approval by the Board of Directors, <u>after that forward to the supervisors and report to</u> the Shareholder’s Meeting for agreement, so is the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>supervisors</u>.</p>	<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 29 .3</b> <u>If the proposal in paragraph 1 has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all Directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>		<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>

After the revision	Before the revision	Description
<p><b>Article 29 .4</b>  <u>The so-called “all Audit Committee members” and “all directors” in the preceding paragraph refer to all the incumbents.</u></p>		<p>Collaborate to establish the Audit Committee and replace Supervisors.</p>
<p><b>Article 30</b>  The procedures were established on March 30, 2004; 1st revised on June 16, 2006 (Omit)....; 7th revised on June 26, 2017 <u>and 8th revised on June 21, 2018.</u></p>	<p><b>Article 30</b>  The procedures were established on March 30, 2004; 1st revised on June 16, 2006 (Omit)....<u>and</u> 7th revised on June 26, 2017.</p>	<p>Added revision date</p>

**Proposal 4: Amendment to “Operational Procedures for  
Derivatives Trading “.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. In accordance with the Article 14-4 of Securities Exchange Act, the Company is planning to establish the Audit Committee starting from the 7th Board of Directors in replacement of the previous supervisor system. The “Operational Procedures for Derivatives Trading” of the Company shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 54 to page 56).
2. Request to resolve.

Resolution:

## Comparison Table for the” Operational Procedures for Derivatives Trading”

After the revision	Before the revision	Description
	<u>Established date of the Procedures: March 30, 2004</u>	Delete the established date which in the 1 <sup>ST</sup> page of the Procedures.
<p><b>Article 4.5.4.5</b> The Company shall report to the <u>soonest</u> Board of Directors Meeting when it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures</p>	<p><b>Article 4.5.4.5</b> The Company shall report to the Board of Directors Meeting when it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures</p>	To comply with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”
<p><b><u>Article 4.5.4.6</u></b> <u>The Company shall obtain approval by the Audit Committee for the majority of the members, after that report to the Board of Directors Meeting when it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures or other laws or regulations.</u></p>		Collaborate to establish the Audit Committee and replace supervisors.
<p><b>Article 4.6</b> Internal Audit System The internal auditors of the Company shall routinely understand the adequacy of the internal control of derivative transaction. Internal auditors shall audit the compliance of transaction department with the Procedures monthly and analyze the trading cycles to prepare into audit report. In the event of major violation, notify the <u>Audit Committee</u> in written. <u>The company should submit the audit report with its previous year's annual audit plan to the</u></p>	<p><b>Article 4.6</b> Internal Audit System The internal auditors of the Company shall routinely understand the adequacy of the internal control of derivative transaction. Internal auditors shall audit the compliance of transaction department with the Procedures monthly and analyze the trading cycles to prepare into audit report. In the event of major violation, notify the <u>supervisors</u> in written.</p>	Collaborate to establish the Audit Committee and replace supervisors.



After the revision	Before the revision	Description
<p><u>Financial Supervisory Commission, R.O.C. before the end of February each year.</u></p>		
<p><b>Article 4.8.1</b>  The Procedures shall obtain approval by <u>the Audit Committee for the majority of the members, after that obtain resolution from</u> the Board of Directors and report to the shareholders' meeting for agreement, the same procedures apply to revision.  If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee.</u>  Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in shareholders' meeting.</p>	<p><b>Article 4.8.1</b>  The Procedures shall obtain approval by the Board of Directors, <u>after that forward to the supervisors</u> and report to the shareholders' meeting for agreement, the same procedures apply to revision. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to <u>the supervisors.</u>  Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in shareholders' meeting.</p>	<p>Collaborate to establish the Audit Committee and replace supervisors.</p>
<p><b>Article 4.8.3</b>  <u>If the proposal in Paragraph I has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>		<p>Collaborate to establish the Audit Committee and replace supervisors.</p>
<p><b>Article 4.8.4</b>  <u>The so-called "all Audit Committee members" and "all directors" in the preceding paragraph refer to all the incumbents.</u></p>		<p>Collaborate to establish the Audit Committee and replace supervisors.</p>

After the revision	Before The revision	Description
<p><b>Article 5</b>  The Procedures were established on March 30, 2004 ; <u>1st revised on June 22, 2007 and 2rd revised on June 21, 2018.</u></p>	<p><b>Article 5</b>  The Procedures were established on March 30, 2004 <u>and 1st revised on June 22, 2007.</u></p>	<p>Added revision date</p>

**Proposal 5: Amendment to “Operational Procedures for  
Loaning of Funds to Other Parties “.  
Please proceed to discuss.**

(Proposed by the Board of Directors.)

**Explanation:**

1. In accordance with the Article 14-4 of Securities Exchange Act, the Company is planning to establish the Audit Committee starting from the 7th Board of Directors in replacement of the previous supervisor system. The “Operational Procedures for Loaning of Funds to Other Parties” of the Company shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 58 to page 60).
2. Request to resolve.

**Resolution:**

## Comparison Table for the” Operational Procedures for Loaning of Funds to Other Parties”

After the revision	Before the revision	Description
	<u>Established date of the Procedures: March 30, 2004</u>	Delete the established date which in the 1 <sup>ST</sup> page of the Procedures.
<p><b>Article 6.1</b> Prior to loaning funds to other parties, the Company shall deliberately evaluate if the loaning complies with the regulations of the Procedures, which shall be consolidated with the valuation results and submitted to the Board of Directors for adoption and implementation. Such decision may not be authorized to others. <u>Major fund loaning shall comply with relevant regulations and with the consensus from the Audit Committee, in addition to submission to the Board of Directors for adoption.</u></p>	<p><b>Article 6.1</b> Prior to loaning funds to other parties, the Company shall deliberately evaluate if the loaning complies with the regulations of the Procedures, which shall be consolidated with the valuation results and submitted to the Board of Directors for adoption and implementation. Such decision may not be authorized to others.</p>	
<p><b>Article 6.4</b> If, as a result of a change in circumstances, an entity for which a counterparty is made does not meet the requirements of the” Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies “or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the <u>Audit Committee</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p><b>Article 6.4</b> If, as a result of a change in circumstances, an entity for which a counterparty is made does not meet the requirements of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the <u>supervisors</u>, and shall complete the rectification according to the timeframe set out in the plan.</p>	Collaborate to establish the Audit Committee and replace supervisors.

After the revision	Before the revision	Description
<p><b>Article 6.5</b> The internal auditors shall audit the operational procedures for Loaning Funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>Audit Committee</u> in writing of any material violation found.</p>	<p><b>Article 6.5</b> The internal auditors shall audit the operational procedures for Loaning Funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the <u>supervisors</u> in writing of any material violation found</p>	<p>Collaborate to establish the Audit Committee and replace supervisors.</p>
<p><b>Article 13.1</b> The Procedures shall obtain approval by the <u>Audit Committee for the majority of the members, after that obtain resolution from the Board of Directors</u> and report to the Shareholders' Meeting for agreement. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>Audit Committee</u> and Shareholders' Meeting, the same procedures apply to revision. Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in Shareholder Meeting.</p>	<p><b>Article 13.1</b> The Procedures shall obtain approval by the Board of Directors, <u>after that forward to the supervisors</u> and report to the Shareholders' Meeting for agreement. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the <u>supervisors</u> and Shareholders' Meeting, the same procedures apply to revision. Where independent directors have expressed objections on record or in writing, these objections must be raised for discussion in Shareholder Meeting.</p>	<p>Collaborate to establish the Audit Committee and replace supervisors.</p>
<p><b>Article 13.2</b> <u>If the proposal in Paragraph I has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>		

After the revision	Before the revision	Description
<p><b>Article 13.3</b>  <u>The so-called “all Audit Committee members” and “all directors” in the preceding paragraph refer to all the incumbents.</u></p>		
<p><b>Article 14</b>  The Procedures were established on March 30,2004 ;1st revised on June 22, 2007(omit).....4th revised on June 14, 2013; <u>and 5th revised on June 21, 2018.</u></p>	<p><b>Article 14</b>  The Procedures were established on March 30,2004 ;1st revised on June 22, 2007(omit).....<u>and 4th revised on June 14, 2013.</u></p>	Added revision date

## **Election Items**

### **Election of the 7th directors**

(Proposed by the Board of Directors.)

Explanation:

1. The term of office of the 6th term of Directors and Supervisors shall expire on June. According to article 195 of the company law an election of the 7th term of eleven Directors (include three Independent Directors) shall be conducted, whose term of office shall be effective from June 21, 2018 to June 20, 2021.
2. According to Article 20 of the Articles of Incorporation, the election of the Directors shall adopt candidate nomination system. The candidate nomination list has been reviewed by the Board of Directors with qualification on May 11, 2018, which education, experience and other information can be referred to from page 62 to 63.
3. Please proceed with the election.

Election results:

## Director Candidates List:

Shareholder No. or ID card No.	Name of corporate entity and number of shares held	Name of representative and No. of shares held		Representative's education /career background
000000001	Yulon Motor Co., Ltd. Shares held: 143,500,000 shares	Director	Kenneth K.T. Yen Shares held: 0 shares	Honorary Doctor of Commerce, University of Saint John, USA Chairman, Yulon Motor Co., Ltd. (Current position) Chairman, China Motor Co., Ltd. (Current position)
			Kuo-Rong Chen Shares held: 5,000 shares	NCTU Executive Master of Business Administration President, Yulon Motor Co., Ltd. Director, China Motor Co., Ltd. (Current position) Voice Chairman, Yulon Motor Co., Ltd. (Current position)
			Leman C.C. Lee Shares held: 0 shares	National Taiwan University of Science and Technology Voice President, Yulon-Nissan Motor Co., Ltd. President, Yulon-Nissan Motor Co., Ltd. (Current position)
			Chen-Hsiang Yao Shares held: 0 shares	Master of International Business Management, Curtin University of Technology. Voice President, Yulon Motor Co., Ltd. Director and President, Yulon Motor Co., Ltd. (Current position)
		Independent Director	Yun-Hua Yang Shares held: 0 shares	Doctor of Laws, University of Tubingen, Germany Associate Professor, College of Law, National Chengchi University Commissioner of Judicial Yuan Revising Committee Commissioner of Executive Yuan Ministry Justice Independent Doctor and Remuneration Committee member, China Motor Co., Ltd. (Current position) Professor, College of Law, National Chengchi University(Current position)
			Hung-Wen Chang Shares held: 0 shares	Doctor of Business Administration, National Taipei University Director, UltraChip Inc. Supervisor, Asia IC MIC-PROCESS, INC. Director, Chongsheng Investment company. Independent Doctor and Remuneration Committee member, Carnival Co., Ltd. (Current position) Assistant Professor , Corporate Financial and Corporate Management Department, National Taipei University(Current position)



000000002	Nissan Motor Co., Ltd. Shares held: 120,000,000 shares	Director	Takashi NISHIBAYASHI Shares held: 0 shares	Bachelor of Commerce, Commercial Science, Waseda University, Japan President, Nissan (China) Investment Co., Ltd. (Current position)
			Atsushi KUBO Shares held: 0 shares	Bachelor of Political Science and Economics, Waseda University, Japan General Manager of China Department, Nissan Motor Co., Ltd. (Current position)
			Junichi OHORI Shares held: 0 shares	Master of Engineering, Faculty of Engineering, Musashi Institute of Technology SVP, Yulon-Nissan Motor Co., Ltd. (Current position)
			Kenji SHIMOYAMA Shares held: 0 shares	Bachelor of Engineering, Department of Mechanical Engineering, Kogakuin University, Japan VP, Yulon Nissan Motor Co., Ltd. (Current position)
		Independent Director	Jung-Fang Kuo Shares held: 0 shares	Master of EMBA, National Taiwan University CPA and President, Zhongzhi United Accounting Firm Senior CPA, Deloitte&Touche Tohmatsu Limited Independent Doctor and Remuneration Committee Member, Carnival Co., Ltd. (Current position) President, Zhongli Accounting Firm (Current position)

## **Other Items**

**Proposal 1: The Lift on the Prohibition on 7th Directors from “Concurrently Act as a Director and/or Manager of another company”.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. According to regulation of R.O.C. Company Law No.209, first paragraph, A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Please approve to lift the prohibition that directors shall not act as a director and/or manager of another company in response to the need of the company's business operations.
3. Request to resolve.

Resolution:

## **Extraordinary Motions**

## **Closure of the Meeting**

## **Appendix 1:**

# **Articles of Incorporation of YULON NISSAN MOTOR CO., LTD.**

### **Chapter 1 General Provisions**

- Article 1 The Company is incorporated in accordance with “Company Limited by Shares” of Company Act and named as “Yulon Nissan Motor Co., Ltd.”
- Article 2 The scope of business of the Corporation shall be as follows:
1. I501010 Product design business.
  2. CD01030 Automotive and parts manufacturing business.
  3. F114010 Automotive wholesale business.
  4. F214010 Automotive retail business.
  5. CQ01010 Mold manufacturing business.
  6. F106030 Mold wholesale business.
  7. F206030 Mold retail business.
  8. F114030 Automotive and motorcycle parts and accessories wholesale business.
  9. F214030 Automotive and motorcycle parts and accessories retail business.
  10. JA01010 Automotive repair business.
  11. JA01990 Other automotive service business (vehicle decoration).
  12. JA01020 Automotive towing business.
  13. F401010 International trade business.
  14. E701030 Installation engineering of telecommunication control and radio equipment business.
  15. I103010 Enterprise management consulting business.
  16. I401010 General advertising service business.
  17. F113070 Telecommunication equipment wholesale business.
  18. F213060 Telecommunication equipment retail business.

19. ZZ99999 Other than permitted business, business not prohibited or restricted by Laws.
- Article 3 In order to achieve the goal of diversification, the Company's reinvestment to other companies may exceed forty percent of the Company's paid-up capital.
- Article 4 The Company may make guarantee for business necessity.
- Article 5 The Company's headquarters is located in Miaoli County and the Company may establish branches in the appropriate domestic and abroad locations.
- Article 6 Public announcements of the Company shall be advertised at visual areas of the daily newspapers published in the region where the Company's headquarters resides, unless otherwise specified in the Company Act and other relevant rules and regulations.

## **Chapter 2 Shares**

- Article 7 The total capital stock of the Company shall be in the amount of 6,000,000,000 New Taiwan Dollars, divided into 600,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments. The first installment of 300,000,000 shares was issued upon the establishment of the Company, a total of 3,000,000,000 New Taiwan Dollars.
- Article 8 The Company's share certificates shall be numbered, signed by or sealed with stamps of more than three Directors, and certified in accordance with laws before the share certificates are issued. The Company may issue shares without printing share certificate(s) and shall register with the Centralized securities depository enterprises.
- Article 9 Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend bonus or any other benefit is scheduled to be paid by the Company.
- Article 10 All other stocks related operations should follow the "Regulations Governing the Administration of Shareholder Services of Public Companies" and related laws and regulations.

### **Chapter 3 Shareholders' Meetings**

- Article 11 Shareholders' meetings of the Company are of the following two types:
1. Shareholders' regular meetings: Regular meetings shall be convened, by the Board of Directors, at least once per year and within six (6) months after the close of each fiscal year.
  2. Shareholders' special meetings: Special meetings shall be convened in accordance with the Company Act when required.
- Article 12 Written notices of date, time, location and purpose of convening shareholders' meetings shall be sent to all shareholders, at least thirty (30) days in advance for regular meetings; and at least fifteen (15) days in advance for special meetings.
- Article 13 The duties and power of shareholders' meetings are as follows:
1. To modify the articles of incorporation.
  2. To elect and discharge Directors.
  3. To verify annual financial statements.
  4. To resolve the increase or reduction of total capital.
  5. To resolve proposals of earnings distribution or loss appropriation.
  6. To resolve the remuneration to Directors.
  7. To resolve the dissolution, acquisition or disposal through merger, or spin-off of the Company.
  8. Other duties and power that are authorized by the Company Act or other Laws.
- Article 14 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
- Article 15 Shareholder's voting power, unless otherwise specified in the Company Act, is deemed one vote for each share.
- Article 16 In case a shareholder is unable to attend the shareholders' meeting, he or she may issue the proxy, printed by the Company and stamped with the Company's seal and

stating the scope of power, to commission an agent to attend the shareholders' meeting. Except the security agents and securities investment trust enterprises approved by the security authority, the proxy voting of the aforementioned agents commissioned by two or more shareholders shall not exceed three (3) percent of the total voting right issued and the voting right beyond the said 3% threshold will be disregarded.

One shareholder is limited to issue one proxy and commission one agent only. The proxy shall be submitted to the Company five (5) days prior to the shareholders' meeting.

Article 17

The shareholders' meeting, convened by the Board of Directors, shall be presided over by the chairman of the Board of Directors. When the chairman of the Board of Directors asks for leave or unable to fulfill the responsibility for reasons, his agent shall be appointed in accordance with item 3, Article 208 of the Company Act. When the shareholders' meeting is convened by the authorized convener other than the chairman of the Board of Directors, the authorized convener shall preside over the meeting. In case of two or more authorized conveners, one of the authorized conveners is elected to act on the Chairman's behalf.

The resolution of the shareholders' meeting shall be executed in accordance with the Rules of Procedure for shareholders' meeting.

Article 18

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the Company. The minutes shall record the year, month, day, location, name of the chairman, resolution method, outlines and conclusions of the meeting, and shall be kept permanently during the existence of the company. The attendance list and proxies shall be kept at least for one year, unless otherwise specified in the Company Act.

Article 19

If the Company's shareholder is only one juristic person shareholder, the duties and power of shareholders' meetings shall be executed by the Board of Directors and

the rules of the shareholders' meeting shall not be applied.

#### **Chapter 4 Directors, Functional Committee , and Managers**

Article 20 The Company is with five to eleven (5~11) directors candidates nomination system is adopted for election of the directors, the shareholders shall elect the directors from among the nominees listed in the roster of director candidates in the shareholders' meeting, for a 3-year term and may be re-elected. The proportion of total shares owned by all directors shall be in accordance with the regulations specified by the security authority. Among the Company's aforementioned directors, at least three are independent directors who shall be elected by adopting candidate nomination system from the candidate list of independent director in the shareholders' meeting. The professional qualification, shares, restrictions of holding two positions, nomination and election method and other conditions of the independent directors to be complied, shall be in accordance with the relevant regulations of the security authority.

Article 21 The Board of Directors is composed of directors, with job responsibilities as follows:

1. To compose business planning reports.
2. To submit proposals of earnings distribution or loss appropriation.
3. To submit the increase or reduction of total capital.
4. To prepare important regulations and compose contracts.
5. To recruit and discharge the general manager, vice general manager and associate manager of the Company.
6. To approve the Company's reinvestment in other business.
7. To establish and dissolve the branch offices.
8. To compile the budget and settlement.
9. To recruit and discharge the certified accountants and chief accountant.
10. To approve, within the limits of the authorized capital,



the amount of shares for shareholders to the Company's monetary credit, technology, or commercial goodwill.

11. To approve, within the limits of the authorized capital, the Company to issue new shares to exchange shares of other companies.
12. To resolve the issuance of employee stock options.
13. To resolve the purchase of Company's shares to transfer to employees.
14. To resolve the application for public offer to the Securities regulatory authorities.
15. Other duties or responsibilities according to the Company Act or the resolution of the shareholders' meetings.

Execution of the Company's business shall be governed by the Board of Directors, unless otherwise those specified by the Company Act or the resolution of the shareholders' meetings according to the Article of Incorporation.

Article 22

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors among themselves based on the actual need, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation. When the chairman of the Board of Directors asks for leave or unable to fulfill the responsibility for reasons, his agent shall be appointed in accordance with item 3, Article 208 of the Company Act.

Article 23

Meetings of the Board of Directors shall be called and convened by the Chairman of the Board of Directors, unless otherwise specified by the Company Act and shall be agreed upon by a majority in a meeting attended by a majority of Directors.

Article 24

Meetings of the Board of Directors shall be convened with a notice to all Directors, at least seven days prior to the meetings by specifying the meeting's agenda. In case of urgent circumstances, meetings can be convened at any time. The notice of convention of board meetings may be delivered to the directors in writing or by e-mail or fax.

Article 25

When a Director is unable to attend the meeting in person,

the Director may appoint another Director on his behalf to attend any meeting of the Board of Directors in accordance with Laws, but no Director may act as proxy for more than one other Director.

Directors who reside abroad may, by written authorization, appoint other shareholders to attend on their behalf any meeting of the Board of Directors regularly, but the aforementioned agent shall register with the authority to be effective, so do the change of agents.

Article 26 The Board of Directors may establish various functional committees. The functional committees shall define their own articles of association and enforce the same upon approval of the Board of Directors.

Article 27 The Company establishes the Audit Committee consisting of the whole independent directors pursuant to the Securities and Exchange Act.

The functions and other compliance affairs of the Audit Committee shall be in accordance with to the Securities and Exchange Act and other related laws and regulations.

Article 28 The Company shall employ one general manager, agreed by a majority in a meeting of the Board of Directors attended by majority of the Directors. The general manager shall operate the Company's business in accordance with the resolutions of the shareholders' meetings or meetings of the Board of the Directors and, within the scope authorized by the Article of Incorporation or contract, has the authority to manage business and sign on behalf of the Company.

Article 29 The Company shall employ several vice general managers and several associate managers, proposed by the Chairman of the Board of Directors and agreed by a majority in a meeting of the Board of Directors attended by majority of the Directors. Vice general managers and associate managers shall assist the general manager on the Company's business.

## **Chapter 5 Accounting**

Article 30 The Company's fiscal year shall be from January 1<sup>st</sup> to December 31<sup>st</sup>. After the close of each fiscal year, financial settlement shall be processed. The Board of Directors shall

prepare the following financial statement reports in accordance with the Company Act and delivered to the prepare the review reports to be submitted in the shareholders' meetings for acceptance:

1. Business reports
2. Financial statements
3. Proposals of earnings distribution or loss appropriation

Article 31

If the Company has profits for the current year, it shall be distributed not less than 0.1% as employees' compensation. The employees' compensation to be resolved in the form of shares or in cash, is agreed upon by a resolution of the Board of Directors and shall be submitted to the shareholders' meeting. However, if the Company has the accumulated losses, the profits must be reserved in advance to offset such losses. Then according to the ratio mentioned in preceding paragraph, to be reserved for such employees' compensation.

For the Company's net income at the end of each fiscal year, it shall cover the accumulated losses first, then, appropriating 10% as legal reserve, and set aside or reverse special reserve in accordance with the law. The shareholders' dividend or bonuses out of remaining current profit and undistributed retained earnings shall be proposed first by the Board of Directors and to be resolved in the shareholders meeting.

The Company is in a stable and mature industry. Factors such as Company's profitability, funding of future operation and change in industrial environment, shareholder's interest and long term financial planning shall be considered in planning the Company's dividend distribution scheme. The amount shall not exceed 90% of current net income as the principal, however, the final dividend distribution ratio shall be proposed first by the board of directors and to be resolved in the shareholders meeting, regardless of such principle. Distribution of dividend is in the form of cash or shares. Cash dividend each year shall not be less than 20% of the total amount of the appropriated dividend of current year.

Article 32

The Company's directors shall receive remuneration (including travel expenses) of 100,000 New Taiwan Dollars

monthly. The Board of Directors are authorized to determine the remuneration of the Chairman of the Board of Directors, based on the level of participation in the Company's operation and contribution without exceeding the highest salary standard decided by the Company. Such remuneration shall be paid regardless of whether the Company business generates profits or experiences loss.

## **Chapter 6    Supplementary Provisions**

- Article 33    The Company's organization regulations and detailed guidelines of operation shall be determined separately.
- Article 34    In regard to all matters not provided herein, the Company Act shall govern.
- Article 35    The Articles were formulated on June 30<sup>th</sup>, 2003; the first amendment was made on March 30<sup>th</sup>, 2004; the second amendment was made on June 18<sup>th</sup>, 2004; the third amendment was made on November 11<sup>th</sup>, 2004; the fourth amendment was made on June 17<sup>th</sup>, 2005; the fifth amendment will be made on June 16<sup>th</sup>, 2006; the sixth amendment was made on June 22<sup>nd</sup>, 2007; the seventh amendment was made on June 21<sup>st</sup>, 2010; the eighth amendment was made on June 13<sup>th</sup>, 2012; the ninth amendment was made on June 14<sup>th</sup>, 2013, the tenth amendment was made on June 30<sup>th</sup>, 2015, and the tenth amendment was made on June 30<sup>th</sup>, 2016. the twelfth amendment is made on June 26<sup>th</sup>, 2017 and shall be applicable as of the director election of 7th term.

## Appendix 2:

### Shareholdings of Directors and Supervisors

1. As of 04/24/2018, all directors and supervisors minimum shareholding number and actually registered holding shares.

Title	Minimum number of shares to be held	Shares actually held in share register
Directors	12,000,000	263,505,000
Supervisors	1,200,000	1,878,000

2. As of 04/24/2018, table of shares held by all directors and supervisors.

Title	Name	Shares held in share register
President	Yulon Motor Co., Ltd. Representative : Kenneth K.T. Yen	143,505,000
Director	Yulon Motor Co., Ltd. Representative : Kuo-Rong Chen	
Director	Yulon Motor Co., Ltd. Representative : Leman C.C. Lee	
Director	Yulon Motor Co., Ltd. Representative : Chen-Hsiang Yao	
Director	Yulon Motor Co., Ltd. Representative : Takashi NISHIBAYASHI	120,000,000
Director	Yulon Motor Co., Ltd. Representative : Atsushi KUBO	
Director	Yulon Motor Co., Ltd. Representative : Junichi OHORI	
Director	Kenji SHIMOYAMA	
Independent Director	Robert Mao	-
Independent Director	Jin-Shun Wu	-
Supervisor	Wei Wen Investment Co., Ltd Representative : Kuan-Tao Lee	1,878,000
Supervisor	Wei Wen Investment Co., Ltd Representative : Tai-Ming Chen	
Supervisor	Takahiko Ikushima	-

## **Appendix 3:**

### **Yulon Nissan Motor Co., Ltd.**

#### **Rules of Procedure for Shareholders Meeting**

Formulated date: March 30th, 2004

- Article 1: The Company has shareholders meeting arranged in accordance with this "Rules of Procedure for Shareholders Meeting."
- Article 2: Shareholders (representatives) present at the shareholders' meeting shall submit the Attendance Card instead of signing in. The shareholding of the present shareholders is based on the Attendance Cards plus the number of shares whose voting rights are exercised by correspondence or electronically . Attendance at shareholders meetings shall be calculated based on numbers of shares.
- Article 3: The Chairman is to have the meeting called on time; however, the Chairman may declare the meeting to be postponed if the shareholding of the present shareholders is less than half of the shares issued. The Chairman may have the meeting postponed for up to twice and may not last for more than one hour in total. If the shareholding of the present shareholders remains less than half but over one third of the shares issued after two postponements, a pseudo resolution can be reached in accordance with item 1, Article 175 of the Company Act. If the shareholding of the present shareholders exceeds half of the shares issued before the end of the shareholders' meeting, the Chairman may have the pseudo resolution presented in the meeting for resolution in accordance with Article 174 of the Company Act.
- Article 4: If a shareholders meeting is summoned by the Board of Directors, the meeting agenda shall be determined by the Board of Directors. The meeting shall be held in accordance with the aforementioned agenda accordingly without changes made unless it is resolved in the shareholders' meeting. If a shareholders meeting is summoned by an authorized convener other than the Board of Directors, the provision of the

foregoing paragraph shall prevail. For the aforementioned two agendas, the Chairman may not announce the meeting adjourned without resolution before the end of the procedures (including motions). If the Chairman has the meeting adjourned in violation of the “Rules of Procedure for Shareholders’ Meeting,” a new Chairman can be elected to preside the meeting continuously by present shareholders with majority votes. Upon meeting adjournment announced by the Chairman, the shareholders shall not elect a new Chairman and resume the meeting at the original or new site.

Article 5: Present shareholders who wish to speak in the meeting must have the speech note filled out with the speech gist, Attendance Card Number, and Account Name detailed to be submitted to the Chairman. The Chairman is to deter the order of speaking. Present shareholders who have submitted the speech note but do not speak in the meeting are considered failure to address speech. If there is discrepancy between the content of the speech note and the speech in the meeting, the verbal speech shall prevail. The present shareholder who is speaking should not be interrupted by any other shareholders unless agreed by the Chairman and the speaking shareholder. The - 40 - Chairman should have the disorderly conduct disciplined.

Article 6: Each shareholder may not speak more than twice and not more than five minutes each time on one subject unless agreed upon by the Chairman. The Chairman may stop the shareholder who has violated the rules, spoke beyond the subject scope, or behaved impolitely from speaking in the meeting.

Article 7: If a juristic person is attending the meeting by proxy, the juristic person may have only one representative delegated to attend the meeting. If the juristic person has more than two representatives delegated to attend the meeting, only one representative may speak about one subject.

Article 8: After the speech of the present shareholders, the Chairman may answer the questions in person or have it answered by the

designated personnel.

Article 9: During the discussion of the motions, Chairman may announce the end of discussion at his/her discretion and proceed for voting, or, may have the discussion suspended if necessary.

Article 10: Voting on the proposals, unless otherwise specified by the Company Act and Articles of Incorporation, is passed with the consent of the present shareholders with majority votes. The validity of voting and consultation by Chairman without any opposition raised by shareholders is the same. The shareholder is deemed one vote for each share. Shareholders who have an agent to attend the shareholders' meeting shall be in accordance with the "Rules of appointing agents to attend the shareholders' meeting of Public Companies" and related laws and regulations.

Article 11: During the meeting, the Chairman may announce a recess during the meeting discretionally. If the procedure fails to be completed in a meeting, the meeting may continue within five (5) days with the resolution of the shareholders' meeting and no further notice and announcement are required.

Article 12: If a proposal is with amendment and/or alternative, the Chairman may have it consolidated with the order of voting determined. If one of the proposals is passed, other proposals are deemed as vetoed without further voting.

Article 13: The Chairman may direct pickets (or security guards) to maintain order of the meeting premise. The pickets (or security guards) must wear the "Picket" armband while disciplining the order at the meeting premise.

Article 14: The Chairman is to determine the tellers and ballot counting officer. The teller must be a shareholder. Vote result must be reported on the spot and documented accordingly.

Article 15: If a shareholders' meeting is summoned by the Board of Directors, the Chairman is to preside the meeting. If the Chairman asks for leave or cannot preside the meeting for reasons, the Vice Chairman is to act on the Chairman's behalf. If there is no Vice Chairman or the Vice Chairman asks for leave or cannot preside the meeting for reasons, the Chairman



is to designate his/her agent to preside the meeting. If the Chairman has not had his/her agent designated, one of the Directors shall be elected to act on the Chairman's behalf. If a shareholders' meeting is summoned by an authorized convener other than the Board of Directors, the authorized convener is the Chairman of the shareholders' meeting. If there are two or more authorized conveners, one shall be elected among themselves.

Article 16: The location summoned for the shareholders' meeting shall be the location where the Company resides, or a location convenient for shareholders to attend and suitable for - 41 - organizing the shareholders' meeting. The schedule of the meeting shall not start before nine (9) o'clock in the morning or later than three (3) o'clock in the afternoon.

Article 17: The Company may assign the appointed attorney, CPA, or related personnel to attend the meeting. Conference staffs who help organize the shareholders' meeting should wear identification badge or armband.

Article 18: The whole process of the shareholders' meeting should be documented with audio or video recording and archived for at least one year.

Article 19: Issues that are not addressed in the "Rules of Procedure for Shareholders' Meeting" should be processed in accordance with the Company Act, the Company's Articles of Incorporation, and applicable laws and regulations.

Article 20: The "Rules of Procedure for Shareholders' Meeting" shall be enforced upon the resolution reached in the shareholders' meeting, so is the amendment.

Article 21: The Procedures was regulated on March 30, 2004 ; the first amendment was made on June 30th, 2015.

## **Appendix4:**

### **Yulon Nissan Motor Co., Ltd.**

#### **Rules for the Election of Directors**

Stipulated on March 30, 2004

- Article 1 : The election of the Company's directors, unless otherwise provided by the law and regulations and the Company's Article of Incorporation, is to be processed in accordance with the "Rules for the Election of Directors."
- Article 2: For the Company's election of directors is handled in accordance with the ballot cumulative suffrage system and each stock share contains the suffrage equivalent to the number of directors to be elected, which can be casted to one or more than one candidate.
- Article 3: The board of directors is to have the ballots printed, which should be equivalent to the number of directors. The ballots should be prepared with the votes of suffrage noted before distributing to the shareholders at the meeting.
- Article 4: The Chairman is to have several ballot inspectors and tellers who are also shareholders designated before the beginning of the election to perform the election.
- Article 5: The board of directors is to have the ballot boxes prepared for the election of directors; also, the ballot boxes should be inspected publicly by the ballot inspectors.
- Article 6: If the candidates are shareholders, the voters must have the account number and name of the candidates noted in the "candidate" column of each ballot. If the candidates are not shareholders, the "candidate" column on the ballot must be detailed with the name and identity document number of the candidates. However, if the candidates are institutional shareholders, the name of the juristic person must be detailed in the "candidate" column on each ballot, or the name of the juristic person and its representative. If there is more than one representative appointed, the name of all the representatives

must be listed separately.

Article 6.1: The election of directors and independent directors is held at the same time with the votes counted and candidates elected separately.

Article 7: Ballots are invalid in any of the following circumstances:

1. Ballot that is not prepared by the board of directors;
2. Blank ballot that is casted in the ballot box;
3. Unidentifiable ballot due to illegible or incomplete corrections;
4. The account name and shareholder's account number of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.
5. Ballot contains not only the candidate's account name (name), shareholder account number (ID card number), and the votes of suffrage, but also other unauthorized information.
6. Ballot without the information of the candidate's account name (Name) or shareholder's account number (ID Card Number);
7. Ballot contains the name of two or more than two candidates.
8. The name of the voted candidate is same as other shareholder but failed to state the candidate's shareholder account number or ID card number for identification.

Article 8: The Company's directors are elected from the competent individuals in the shareholder's meeting as independent directors and non-independent directors in that order in accordance with the number of chairs designated in the Articles of Incorporation and the electoral votes from top down. If there are two or more candidates received the same votes of suffrage, resulting more candidates elected than the number of chairs designated, the candidates who received the same votes of suffrage are to take a draw for a solution;

also, the Chairman is to take a draw on behalf of the absentees.

The elected director who is found with false personal information presented or non-complying with the governing law and regulations will be dismissed and with the vacancy filled by the un-elected candidate who has received the highest votes in the original election.

Article 9: Ballot inspectors are to monitor the count of the votes casted upon the completion of the voting process and then the Chairman is to announce the name of the elected directors publicly.

Article 10: The Company is to issue a certificate of election to each elected director.

Article 11: The matters that are not addressed in the “Rules for the Election of Directors” should be processed in accordance with the Company Law, Articles of Incorporation, and the related regulations.

Article 12: The “Rules for the Election of Directors” is in effect after it is passed in the shareholders’ meeting, same for the amendments made.

The Rules were developed on March 30, 2004, 1st revised on June 22, 2007, 2nd revised on June 26, 2017 and shall be applicable as of the director election of 7th term.