

Stock code: 2227

**YULON NISSAN MOTOR CO., LTD.**  
**Handbook of 2019 Annual General**  
**Shareholders' Meeting**



Time: June 28, 2019

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

## Table of Contents

<b>I. Procedure</b> .....	1
<b>II. Agenda</b> .....	2
1. Call to Order	
2. Chairman’s Address	
3. Report Items.....	3
4. Ratification Items .....	9
5. Discussion Items.....	38
6. Extraordinary Motions .....	76
7. Closure of the Meeting .....	76
<b>III. Appendixes</b>	
1. Articles of Incorporation .....	77
2. Shareholdings of Directors.....	86
3. Rules of Procedure for Shareholders Meeting.....	87

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

**2019 Annual General Shareholders' Meeting**

**Meeting Procedure**

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

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

## **2019 Annual General Shareholders' Meeting**

### **Agenda**

Time: Friday, June 28, 2019 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. Chairperson's Address**

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

- (1) To report the Business Operations of 2018
- (2) 2018 Audit Committee' Report
- (3) To report 2018 Employees' Compensation Distribution.

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

- (1) Adoption of the 2018 Business Report and Financial Statements
- (2) Recognition of 2018 Earnings Distribution

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

- (1) Amendment to "Operational Procedures for Acquisition and Disposal of Assets".
- (2) Amendment to "Operational Procedures for Derivatives Trading".
- (3) Amendment to "Operational Procedures for Loaning of Funds to Other Parties".
- (4) Amendment to "Operational Procedures for Making of Endorsements and Guarantees".
- (5) The Lift on the Prohibition on Directors from Concurrently Act as a Director and/or Manager of another company.

#### **6. Extraordinary Motions**

#### **7. Closure of the Meeting**

## **Report Items**

### **Item One:**

#### **The 2018 Business Report**

Business Report

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

The economic environment in Taiwan was interrupted by the ongoing China-US trade war, global trade protectionism, and international economy, causing private consumption and investment to slow down.

A total of 423 thousand vehicles were sold in 2018 and representing 2.6% declined over the year of 2017. The sale of made-in-Taiwan vehicle had declined by 9.3%, imported vehicle grown by 6.4%; passenger vehicle declined by 11.7%, commercial vehicle declined by 16.7% and RV vehicle grown by 12.3%.

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

The Company sold 36,707 vehicles in 2018, with a marketing share of 8.7%; also, the operating income amounted to NT\$31.26 billion, the operating profit amounted to NT\$1.34 billion, the net income before tax amounted to NT\$7.68 billion, and the earnings per share after tax was NT\$19.63. The relevant business activities in 2018 are as follows:

###### **1. New car models marketed**

NISSAN brand introduced one model KICKS with NISSAN new-generation V-Motion, art and design of Samba. KICKS can passive driver safety equipment that could

fully protect the safety of drivers and family members and with design core in “NISSAN INTELLIGENT MOBILITY (NIM)”.

In the second quarter of 2018, INFINITI launched QX30 featuring unique appearance, horsepower performance, and safety technology to expand its market presence.

In the fourth quarter of 2018, INFINITI launched QX50 equipped with the engine featuring the world-leading variable compression ratio and smart driver technology to perfectly demonstrate its brand positioning of EMPOWER THE DRIVE.

## 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 management of corporate social responsibility.

NISSAN has organized the DESIGN the future for 13 years in a row to train nearly 6,000 young people for innovation. NISSAN also purchased employer’s liability insurance for the temporary cleaners of the Department of Environmental Protection, Taipei City Government to safeguard them; in addition, blood donation activities were held at exhibition centers across Taiwan; NISSAN Kicks GO was also held continuously to promote environmental protection and energy conservation and carbon reduction in a way that is fun and educational.

In the future, NISSAN will continue to fulfill its corporate social responsibility by providing eco-friendly products and service and supporting charitable activities; in addition, NISSAN will work

with its distributors and suppliers to create the green value with its corporate influence.

### 3. Business operation in Mainland China

A total of 28.081 million vehicles were sold in Mainland China in 2018, representing 2.8% declined over the year of 2017. Of which, a total of 23.710 million (decreased by 4.1%) passenger cars and 4.371 million (increased by 5.1%) commercial vehicles were sold. For Dongfeng Nissan passenger cars, 1.288 million vehicles were sold in 2018, representing 2.9% growth over the year of 2017.

## **(III) The prospects**

### 1. Introduction of new products

NISSAN expects to launch LEAF, the world's best-selling electric car model, in the third quarter. With the sales volume of 400,000 around the world, LEAF will lead NISSAN to achieve the vision of carbon neutrality.

NISSAN expects to launch ALTIMA, the most representative flagship model, in the third quarter. Equipped with the VC Turbo engine featuring the world-leading variable compression ratio, 248 horsepower sports car performance, and excellent fuel economy, ALTIMA expects to bring consumers a completely different driving experience.

### 2. Improvement of Customer Service Satisfaction

NISSAN brand had been appreciated continuously by car owners in the 2018 J.D. Power "CSI customer satisfaction" survey with the "No. 2 non-luxury car brand".

Nissan and INFINITI brand will continue to improve sales and quality of service, upgrade software and

hardware, and provide consumers better products and service with innovative information technology and fast delivery.

### 3. Export expansion

The auto parts exporting revenue amounted to NT\$0.15 billion in 2018, including Thailand, Malaysia, the Philippines, Mainland China, South Korea, Japan, Egypt, Indonesia, and Vietnam. In addition to continuously exporting parts, NISSAN will expand the areas for export in 2019 to create greater growth momentum for the Company's revenue.

### 4. Business operation in Mainland China

The vehicle sales in Mainland China in 2019 will reach 28.1 million vehicles, remained constant 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.

Chairperson:



President:



Chief Accountant:





## Item Two:

### 2018 Audit Committee' Report

Yulon Nissan Motor Co., Ltd.

Audit Committee' Report

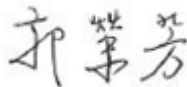
The Board of Directors submits the 2018 Business Report, Financial Statements, and Earnings Distribution Proposal. Among them, the Financial Statements were audited by accountants Wan-Yi Liao and Robert Yu of Deloitte Touche Tohmatsu Ltd., who issued the audit report. The aforementioned Business Report, Financial Statements and Earnings Distribution Proposal were inspected by the Audit Commission who affirmed that these reports have complied with Article 14.4 of the Securities Exchange Act and Article 219 of the Company Law.

Submitted to:

2019 Regular Shareholders' Meeting of the Company

Yulon Motor Co., Ltd.

Audit Committee Convenor :



May 10 , 2019

## **Item Three:**

### **2018 Employees' Compensation Distribution**

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\$7,684 thousand dollars.

## **Ratification Items**

### **Proposal 1: Ratification of the 2018 Business Report and Financial Statements.**

**Please ratify.**

(Proposed by the Board of Directors.)

#### **Description:**

- (1)The compilation of the Company's Fiscal 2018 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 Audit Committee, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.
- (2)Please refer to page 3 to page 6 and page 10 to page 35 of this handbook for the Fiscal 2018 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3)Adoption requested.

#### **Resolution:**

## INDIVIDUAL FINANCIAL STATEMENTS

### 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 2018 was \$379,843 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, 2018, the carrying amount of the provisions for warranties was \$151,751 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 15 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 the audit committee, 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, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Wan-I Liao and Cheng-Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2019



**YULON NISSAN MOTOR COMPANY, LTD.**

**BALANCE SHEETS**

**DECEMBER 31, 2018 AND 2017**

A S S E T	2018		2017	
S	A m o u n t	%	A m o u n t	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,423,983	25	\$ 6,045,156	23
Financial assets at fair value through profit or loss	325,129	1	874,052	3
Notes receivable - related parties	513	-	1,612	-
Trade receivables	31,340	-	39,135	-
Trade receivables - related parties	900,466	4	902,139	4
Other receivables	56,102	-	123,460	1
Prepayments	<u>12,243</u>	-	<u>20,069</u>	-
Total current assets	<u>7,749,776</u>	<u>30</u>	<u>8,005,623</u>	<u>31</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method	16,244,030	62	16,023,303	62
Property, plant and equipment	1,793,200	7	1,479,225	6
Computer software	25,152	-	20,882	-
Deferred tax assets	116,324	-	127,060	1
Other non-current assets	<u>171,265</u>	<u>1</u>	<u>114,548</u>	-
Total non-current assets	<u>18,349,971</u>	<u>70</u>	<u>17,765,018</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,770,641</u>	<u>100</u>

Chairperson :



Manager :



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

LIABILITIES AND EQUITY	2018		2017	
	A m o u n t	%	A m o u n t	%
<b>CURRENT LIABILITIES</b>				
Contract liability	\$ 50,553	-	\$ -	-
Trade payables	146,794	1	55,385	-
Trade payables - related parties	1,303,228	5	875,464	3
Other payables	981,106	4	913,372	4
Current tax liabilities	648,662	2	442,943	2
Provisions	188,149	1	192,278	1
Other current liabilities	<u>4,679</u>	<u>-</u>	<u>66,184</u>	<u>-</u>
Total current liabilities	<u>3,323,171</u>	<u>13</u>	<u>2,545,626</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability	22,487	-	-	-
Provisions	61,364	-	62,931	-
Net defined benefit liabilities	329,881	1	392,625	2
Deferred tax liabilities	1,905,810	8	1,511,815	6
Other non-current liabilities	<u>-</u>	<u>-</u>	<u>63,020</u>	<u>-</u>
Total non-current liabilities	<u>2,319,542</u>	<u>9</u>	<u>2,030,391</u>	<u>8</u>
Total liabilities	<u>5,642,713</u>	<u>22</u>	<u>4,576,017</u>	<u>18</u>
<b>EQUITY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks	<u>3,000,000</u>	<u>12</u>	<u>3,000,000</u>	<u>12</u>
Capital surplus	<u>6,129,405</u>	<u>23</u>	<u>6,129,405</u>	<u>24</u>
Retained earnings				
Legal reserve	4,884,164	19	4,519,914	17
Special reserve	1,163,895	4	788,877	3
Unappropriated earnings	<u>6,011,725</u>	<u>23</u>	<u>7,131,446</u>	<u>28</u>
Total retained earnings	<u>12,059,784</u>	<u>46</u>	<u>12,440,237</u>	<u>48</u>
Other equity	( <u>732,155</u> )	( <u>3</u> )	( <u>375,018</u> )	( <u>2</u> )
Total equity	<u>20,457,034</u>	<u>78</u>	<u>21,194,624</u>	<u>82</u>
TOTAL	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,770,641</u>	<u>100</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**2018 AND 2017**



	(In Thousands of New Taiwan Dollars, Except Par Value)			
	2018		2017	
	A m o u n t	%	A m o u n t	%
OPERATING REVENUE				
Sales	\$ 31,111,218	100	\$ 33,092,856	100
Service revenue	59,958	-	32,551	-
Other operating revenue	<u>86,554</u>	<u>-</u>	<u>96,367</u>	<u>-</u>
Total operating revenue	31,257,730	100	33,221,774	100
OPERATING COSTS	<u>25,931,003</u>	<u>83</u>	<u>27,037,319</u>	<u>82</u>
GROSS PROFIT	<u>5,326,727</u>	<u>17</u>	<u>6,184,455</u>	<u>18</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,886,302	9	3,092,559	9
General and administrative expenses	372,706	1	322,756	1
Research and development expenses	<u>707,445</u>	<u>2</u>	<u>672,305</u>	<u>2</u>
Total operating expenses	<u>3,966,453</u>	<u>12</u>	<u>4,087,620</u>	<u>12</u>
OTHER OPERATING INCOME AND EXPENSES	<u>-</u>	<u>-</u>	( <u>685</u> )	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,360,274</u>	<u>5</u>	<u>2,096,150</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	6,170,791	20	6,225,205	19
Interest income	27,523	-	139,956	-
Gain on financial assets at fair value through profit or loss, net	2,998	-	4,052	-
Other revenue	4,434	-	2,000	-
Gain (loss) on disposal of investments, net	( 2,496 )	-	1,945	-
Net foreign exchange gain (loss)	127,481	-	( 441,720 )	( 1 )

Interest expenses	( 997 )	-	( 11,158 )	-
Overseas business expenses	( 10,156 )	-	( 10,915 )	-
Other losses	( 3,292 )	-	( 2,094 )	-
Total non-operating income and expenses	<u>6,316,286</u>	<u>20</u>	<u>5,907,271</u>	<u>18</u>
PROFIT BEFORE INCOME TAX	\$ 7,676,560	25	\$ 8,003,421	24
INCOME TAX EXPENSES	<u>1,786,514</u>	<u>6</u>	<u>1,360,921</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>5,890,046</u>	<u>19</u>	<u>6,642,500</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	33,034	-	12,930	-
Share of the other comprehensive loss of subsidiaries accounted for using equity method	( 67 )	-	( 98 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 3,466 )	-	( 2,181 )	-
	<u>29,501</u>	<u>-</u>	<u>10,651</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 357,137 )	( 1 )	( 412,870 )	( 1 )
Other comprehensive loss for the year, net of income tax	( 327,636 )	( 1 )	( 402,219 )	( 1 )
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
EARNINGS PER SHARE				
Basic	<u>\$ 19.63</u>		<u>\$ 22.14</u>	
Diluted	<u>\$ 19.63</u>		<u>\$ 22.14</u>	

Chairperson :



Manager :



Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**DECEMBER 31, 2018 AND 2017**



	<u>Capital Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2017	\$ 3,000,000	\$ 6,129,405
Appropriation of 2016 earnings		
Legal reserve	-	-
Cash dividends distributed by the Company - NT\$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	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2017 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-
	-	-
Net profit for the year ended December 31, 2018	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

Chairperson:



Manager:



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

<b>R e t a i n e d E a r n i n g s</b>		<b>Other Equity</b>		
		<b>E x c h a n g e</b>		
		<b>D i f f e r e n c e s</b>		
		<b>o n T r a n s l a t i n g</b>		
		<b>U n a p p r o p r i a t e d</b>		
<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>E a r n i n g s</u>	<u>Foreign Operations</u>	<u>Total Equity</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 )	-	-
-	-	( 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
-	-	<u>10,651</u>	( <u>412,870</u> )	( <u>402,219</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>
664,250	-	( 664,250 )	-	-
-	375,018	( 375,018 )	-	-
( <u>300,000</u> )	-	( <u>6,000,000</u> )	-	( <u>6,300,000</u> )
<u>364,250</u>	<u>375,018</u>	<u>( 7,039,268 )</u>	-	<u>( 6,300,000 )</u>
-	-	5,890,046	-	5,890,046
-	-	<u>29,501</u>	( <u>357,137</u> )	( <u>327,636</u> )
-	-	<u>5,919,547</u>	( <u>357,137</u> )	<u>5,562,410</u>
<u>\$ 4,884,164</u>	<u>\$ 1,163,895</u>	<u>\$ 6,011,725</u>	( <u>\$ 732,155</u> )	<u>\$ 20,457,034</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CASH FLOWS**

**DECEMBER 31, 2018 AND 2017**

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,676,560	\$ 8,003,421
Adjustments for:		
Depreciation expenses	408,402	483,121
Amortization expenses	7,659	5,280
Gain on financial assets at fair value through profit or loss, net	( 2,998 )	( 4,052 )
Interest expense	997	11,158
Interest income	( 27,523 )	( 139,956 )
Share of the profit of subsidiary	( 6,170,791 )	( 6,225,205 )
Loss on disposal of property, plant and equipment, net	-	685
Loss (gain) on disposal of investment, net	2,496	( 1,945 )
Net foreign exchange loss (gain)	( 154,773 )	197,778
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	549,425	1,407,048
Notes receivable - related parties	1,099	2,562
Trade receivables	7,795	1,393
Trade receivables - related parties	1,580	( 357,071 )
Other receivables	71,080	( 81,761 )
Inventories	-	2,509
Prepayments	7,826	( 4,216 )
Contract liability	( 49,032 )	-
Notes payable - related parties	-	( 1,536 )
Trade payables	91,409	21,418
Trade payables - related parties	298,115	32,266
Other payables	53,278	28,325
Other current liabilities	( 2,453 )	38,454
Provisions	( 5,696 )	( 6,214 )
Other non-current liabilities	-	23,080
Net defined benefit liabilities	( 29,710 )	( 35,454 )
Cash generated from operations	2,734,745	3,401,088

	2018	2017
Interest paid	( \$ 997 )	( \$ 12,352 )
Income tax paid	( 620,817 )	( 662,080 )
Net cash generated from operating activities	<u>2,112,931</u>	<u>2,726,656</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	5,033,574	4,563,252
Interest received	23,801	155,568
Payments for property, plant and equipment	( 622,698 )	( 505,559 )
Proceeds from disposal of property, plant, and equipment	8	3,986
Payments for computer software	( 11,929 )	( 11,460 )
Decrease in refundable deposits	2,158	277,532
Increase in other non-current assets	( 14,457 )	-
Net cash generated from investing activities	<u>4,410,457</u>	<u>4,483,319</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	-	( 3,630,000 )
Payments of dividends	( 6,300,000 )	( 6,600,000 )
Cash used in financing activities	<u>( 6,300,000 )</u>	<u>( 10,230,000 )</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>155,439</u>	( <u>203,233</u> )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>378,827</b>	<b>( 3,223,258 )</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>6,045,156</b></u>	<u><b>9,268,414</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 6,423,983</b></u>	<u><b>\$ 6,045,156</b></u>

Chairperson:



Manager:



Chief Accountant:





## CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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 2018 was \$379,843 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, 2018, the carrying amount of the provisions for warranties was \$151,751 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 16 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.

#### **Other Matter**

We have also audited the parent company only financial statements of Yulon Nissan Motor Company, Ltd., as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

#### **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 the audit committee, 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, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Wan-I Liao and Cheng-Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2019

**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2018 AND 2017**

A S S E T S	2018		2017	
	A m o u n t	%	A m o u n t	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 7,043,180	27	\$ 6,822,021	26
Financial assets at fair value through profit or loss	325,129	1	874,052	3
Notes receivable - related parties	513	-	1,612	-
Trade receivables	31,340	-	39,135	-
Trade receivables - related parties	894,105	4	897,956	4
Other receivables	57,570	-	125,753	1
Prepayments	<u>12,243</u>	-	<u>23,184</u>	-
Total current assets	<u>8,364,080</u>	<u>32</u>	<u>8,783,713</u>	<u>34</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method	15,629,726	60	15,251,359	59
Property, plant and equipment	1,793,200	7	1,479,225	6
Computer software	25,152	-	20,882	-
Deferred tax assets	116,324	-	127,060	1
Other non-current assets	<u>171,265</u>	<u>1</u>	<u>114,548</u>	-
Total non-current assets	<u>17,735,667</u>	<u>68</u>	<u>16,993,074</u>	<u>66</u>
TOTAL	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,776,787</u>	<u>100</u>

Chairperson:



Manager:



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

LIABILITIES AND EQUITY	2018		2017	
	A m o u n t	%	A m o u n t	%
<b>CURRENT LIABILITIES</b>				
Contract liability	\$ 50,553	-	\$ -	-
Trade payables	146,794	1	55,385	-
Trade payables - related parties	1,303,228	5	875,464	3
Other payables	981,106	4	913,372	4
Current tax liabilities	648,662	2	442,943	2
Provisions	188,149	1	192,278	1
Other current liabilities	<u>4,679</u>	-	<u>66,184</u>	-
Total current liabilities	<u>3,323,171</u>	<u>13</u>	<u>2,545,626</u>	<u>10</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability	22,487	-	-	-
Provisions	61,364	-	62,931	-
Credit balance of investments accounted for using equity method	-	-	6,146	-
Net defined benefit liabilities	329,881	1	392,625	2
Deferred tax liabilities	1,905,810	8	1,511,815	6
Other non-current liabilities	<u>-</u>	-	<u>63,020</u>	-
Total non-current liabilities	<u>2,319,542</u>	<u>9</u>	<u>2,036,537</u>	<u>8</u>
Total liabilities	<u>5,642,713</u>	<u>22</u>	<u>4,582,163</u>	<u>18</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 stocks	<u>3,000,000</u>	<u>12</u>	<u>3,000,000</u>	<u>12</u>
Capital surplus	<u>6,129,405</u>	<u>23</u>	<u>6,129,405</u>	<u>24</u>
Retained earnings				
Legal reserve	4,884,164	19	4,519,914	17
Special reserve	1,163,895	4	788,877	3
Unappropriated earnings	<u>6,011,725</u>	<u>23</u>	<u>7,131,446</u>	<u>28</u>
Total retained earnings	<u>12,059,784</u>	<u>46</u>	<u>12,440,237</u>	<u>48</u>
Other equity	( <u>732,155</u> )	( <u>3</u> )	( <u>375,018</u> )	( <u>2</u> )
Total equity	<u>20,457,034</u>	<u>78</u>	<u>21,194,624</u>	<u>82</u>
TOTAL	<u>\$ 26,099,747</u>	<u>100</u>	<u>\$ 25,776,787</u>	<u>100</u>

Chief Accountant:



**YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

	2018		2017	
	A m o u n t	%	A m o u n t	%
<b>OPERATING REVENUE</b>				
Sales	\$ 31,111,218	100	\$ 33,092,856	100
Service revenue	59,958	-	32,551	-
Other operating revenue	<u>86,554</u>	-	<u>96,367</u>	-
Total operating revenue	31,257,730	100	33,221,774	100
<b>OPERATING COSTS</b>				
	<u>25,931,003</u>	<u>83</u>	<u>27,037,319</u>	<u>82</u>
<b>GROSS PROFIT</b>				
	<u>5,326,727</u>	<u>17</u>	<u>6,184,455</u>	<u>18</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing expenses	2,886,302	9	3,092,559	9
General and administrative expenses	396,226	2	343,218	1
Research and development expenses	<u>707,445</u>	<u>2</u>	<u>672,305</u>	<u>2</u>
Total operating expenses	<u>3,989,973</u>	<u>13</u>	<u>4,108,082</u>	<u>12</u>
<b>OTHER OPERATING INCOME AND EXPENSES</b>				
	<u>-</u>	<u>-</u>	<u>( 685 )</u>	<u>-</u>
<b>PROFIT FROM OPERATIONS</b>				
	<u>1,336,754</u>	<u>4</u>	<u>2,075,688</u>	<u>6</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Share of profit of associates	6,250,398	20	6,071,238	18
Interest income	82,859	1	197,870	1
Gain on financial assets at fair value through profit or loss, net	2,998	-	4,052	-
Other revenue	4,434	-	2,000	-
Gain (loss) on disposal of investments, net	( 2,496 )	-	1,945	-
Net foreign exchange gain (loss)	16,058	-	( 325,205 )	( 1 )
Interest expenses	( 997 )	-	( 11,158 )	-
Overseas business expenses	( 10,156 )	-	( 10,915 )	-
Other losses	( <u>3,292</u> )	-	( <u>2,094</u> )	-
Total non-operating income and expenses	<u>6,339,806</u>	<u>21</u>	<u>5,927,733</u>	<u>18</u>



PROFIT BEFORE INCOME TAX	7,676,560	25	8,003,421	24
INCOME TAX EXPENSES	<u>1,786,514</u>	<u>6</u>	<u>1,360,921</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>5,890,046</u>	<u>19</u>	<u>6,642,500</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	33,034	-	12,930	-
Share of other comprehensive loss of associates accounted for using equity method	( 67 )	-	( 98 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( <u>3,466</u> )	-	( <u>2,181</u> )	-
	<u>29,501</u>	-	<u>10,651</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( <u>357,137</u> )	( <u>1</u> )	( <u>412,870</u> )	( <u>1</u> )
Other comprehensive loss for the year, net of income tax	( <u>327,636</u> )	( <u>1</u> )	( <u>402,219</u> )	( <u>1</u> )
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 5,890,046</u>	<u>19</u>	<u>\$ 6,642,500</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 5,562,410</u>	<u>18</u>	<u>\$ 6,240,281</u>	<u>19</u>
EARNINGS PER SHARE				
Basic	<u>\$ 19.63</u>		<u>\$ 22.14</u>	
Diluted	<u>\$ 19.63</u>		<u>\$ 22.14</u>	

Chairperson:



Manager:



Chief Accountant:



**YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Capital Stock</u>	<u>Capital Surplus</u>
BALANCE AT JANUARY 1, 2017	\$ 3,000,000	\$ 6,129,405
Appropriation of 2016 earnings		
Legal reserve	-	-
Cash dividends distributed by the Company - NT\$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	<u>3,000,000</u>	<u>6,129,405</u>
Appropriation of 2017 earnings		
Legal reserve	-	-
Special reserve	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-
Net profit for the year ended December 31, 2018	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-
BALANCE AT DECEMBER 31, 2018	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>

Chairperson:



Manager:



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

<u>R e t a i n e d E a r n i n g s</u>		<u>Other Equity</u>		
<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated E a r n i n g s</u>	<u>Exchange s</u>	<u>Total Equity</u>
			<u>Difference</u>	
\$ 4,056,853	\$ 788,877	\$ 7,541,356	\$ 37,852	\$ 21,554,343
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>
664,250	-	( 664,250 )	-	-
-	375,018	( 375,018 )	-	-
( <u>300,000</u> )	-	( <u>6,000,000</u> )	-	( <u>6,300,000</u> )
<u>364,250</u>	<u>375,018</u>	( <u>7,039,268</u> )	-	( <u>6,300,000</u> )
-	-	5,890,046	-	5,890,046
-	-	29,501	( 357,137 )	( 327,636 )
-	-	5,919,547	( 357,137 )	5,562,410
<u>\$ 4,884,164</u>	<u>\$ 1,163,895</u>	<u>\$ 6,011,725</u>	( <u>\$ 732,155</u> )	<u>\$ 20,457,034</u>

Chief Accountant:



YULON NISSAN MOTOR COMPANY LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017



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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 7,676,560	\$ 8,003,421
Adjustments for:		
Depreciation expenses	408,402	483,121
Amortization expenses	7,659	5,280
Gain on financial assets at fair value through profit or loss, net	( 2,998 )	( 4,052 )
Interest expense	997	11,158
Interest income	( 82,859 )	( 197,870 )
Share of profit of associates	( 6,250,398 )	( 6,071,238 )
Loss on disposal of property, plant and equipment, net	-	685
Loss (gain) on disposal of investment, net	2,496	( 1,945 )
Net foreign exchange loss (gain)	( 93,130 )	46,992
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	549,425	1,407,048
Notes receivable - related parties	1,099	2,562
Trade receivables	7,795	1,393
Trade receivables - related parties	3,758	( 359,577 )
Other receivables	71,080	( 81,761 )
Inventories	-	2,509
Prepayments	7,826	( 4,216 )
Contract liability	( 49,032 )	-
Notes payable - related parties	-	( 1,536 )
Trade payables	91,409	21,418
Trade payables - related parties	298,115	32,266
Other payables	53,278	28,325
Other current liabilities	( 2,453 )	38,454
Provisions	( 5,696 )	( 6,214 )
Other non-current liabilities	-	23,080
Net defined benefit liabilities	( 29,710 )	( 35,454 )
Cash generated from operations	2,663,623	3,343,849
Interest paid	( 997 )	( 12,352 )
Income tax paid	( 1,176,415 )	( 1,174,805 )
Net cash generated from operating activities	<u>1,486,211</u>	<u>2,156,692</u>

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	\$ 5,466,869	\$ 5,168,975
Interest received	79,962	211,500
Payments for property, plant and equipment	( 622,698 )	( 505,559 )
Proceeds from disposal of property, plant and equipment	8	3,986
Decrease in refundable deposits	2,158	277,532
Payments for computer software	( 11,929 )	( 11,460 )
Increase in other non-current assets	( <u>14,457</u> )	<u>-</u>
Net cash generated from investing activities	<u>4,899,913</u>	<u>5,144,974</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	-	( 3,630,000 )
Payments of dividends	( <u>6,300,000</u> )	( <u>6,600,000</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>( <u>6,300,000</u> )</b>	<b>( <u>10,230,000</u> )</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>135,035</u>	( <u>159,399</u> )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	221,159	( 3,087,733 )
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>6,822,021</u>	<u>9,909,754</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 7,043,180</u>	<u>\$ 6,822,021</u>

Chairperson:



Manager:



Chief Accountant:



## **Proposal 2: Recognition of 2018 Earnings Distribution.**

(Proposed by the Board of Directors.)

Description :

1. Based on the audited 2018 financial statement, YNM presents 2018 earnings distribution statement as page 37
2. According to earnings distribution statement, YNM proposes to distribute NT\$17.67 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, 2019. 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, 2019to August 27, 2019
3. Request to resolve.

Resolved:

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



**2018 Earnings Distribution Statement**

Unit: NT dollar

Item	Sub-total	Total
Beginning retained earnings		92,178,559
Less: Adjustment arising from investments accounted for using equity method		(53,867)
Add: Remeasurement of defined benefit plans		2,9554,364
2017 Adjusted undistributed earnings (excluded net income)		121,679,056
2017 Net income after tax	5,890,046,514	
Less : Legal reserves	(589,004,651)	
Less : Special reserves	0	
Less : Distribution of shareholders dividends (Cash dividends \$17.67 per share)	(5,301,000,000)	41,863
Ending Undistributed Earnings		121,720,919

Note: Distribution of cash dividends will be calculated to New Taiwan Dollar. Fractional amount less than one dollar will be set aside as other revenue.

Chairperson:



President:



Chief Accountant:



## **Discussion Items**

### **Proposal 1: Amendment to” Operational Procedures for Acquisition and Disposal of Assets”.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

#### **Explanation:**

1. Complied with the requirements under the notice letter No. 1070341072 which issued by Financial Supervisory Commission (FSC) and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the company’s “Operational Procedures for Acquisition and Disposal of Assets” shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 39 to page 59).
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 2</b> The term "assets" as used in these regulations includes the following: 2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p><a href="#">5. Right-of-use asset</a></p> <p><a href="#">6.~9.</a></p>	<p><b>Article 2</b> The term "assets" as used in these regulations includes the following: 2. Real property (including land, houses and buildings, investment property, <del>rights to use land,</del> and construction enterprise inventory) and equipment.</p> <p><del>5.~8.</del></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p><b>Article 3</b> Terms used in these regulations are defined as follows: 1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration there for (hereinafter "transfer of shares") under Article 156-<del>3</del> of the Company Act.</p>	<p><b>Article 3</b> Terms used in these regulations are defined as follows: 1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration there for (hereinafter "transfer of shares") under Article 156, <del>paragraph 8</del> of the Company Act.</p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

After the revision	Before the revision	Description
<p><b>Article 3</b>  Terms used in these regulations are defined as follows:  <u>7. Investment Professionals: Investment Professionals refer to those incorporated according to the law and regulated by the local financial authorities, includes: finance holding company, bank, insurance company, bills finance company, trust company, securities dealer &amp; securities underwriter, futures proprietary merchant, securities investment trust enterprise, securities investment consulting enterprise and fund management company.</u>  <u>8. Stock Exchange : Internal Stock Exchange refer to Taiwan Stock Exchange(TSEC), and Foreign Stock Exchange refer to any securities market organized and managed by the local securities authority.</u>  <u>9. Securities exchange: The term “domestic securities exchange” shall refer to any securities exchange where securities are traded over the counter specially provided by securities firms, as specified in the Regulations Governing Securities Trading on the Taipei Exchange; the term “foreign securities exchange” shall refer to any financial institution premise managed by a foreign securities authority and conducting securities trading.</u></p>	<p><b>Article 3</b>  Terms used in these regulations are defined as follows:  <del>7. For the calculation total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</del></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

After the revision	Before the revision	Description
<p><b>Article 4</b>  Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions to the transaction <u>shall comply with the rules as below:</u>  <u>1. Having not been pronounced a sentence of imprisonment for more than one year due to the violation of the Act or the offense of fraud, breach of trust, encroachment or forgery or misdoing arising from the performance of business; however, this provision is not applicable to the completion of enforcement or the expiration of probation or a 3-year pardon.</u>  <u>2. Not being a related party of any party to the transaction or have a substantive related party relationship with any party to the transaction.</u>  <u>3.If the Company is required to obtain an appraisal report from two professional appraisers or more, the professional appraisers or their officers shall not be each other's related party or have a substantive related party relationship.</u></p>	<p><b>Article 4</b>  Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <del>shall not be a related party of any party</del> to the transaction.</p>	<p>Complied with the amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><b>Article 4</b>  <u>The personnel referred to in the preceding paragraph shall provide an appraisal report or opinions in accordance with the following:</u>  <u>1. Before accepting cases, the personnel shall carefully evaluate their competence, practical experience and independence.</u>  <u>2. When auditing cases, the personnel shall plan and implement appropriate operating procedures to draw conclusions and provide reports or opinions; the procedures, data collected and conclusions shall be specified in the working paper.</u>  <u>3. The completeness, correctness and reasonableness of sources, parameters and information used shall be evaluated item by item as the basis for the provision of appraisal reports or opinions.</u>  <u>4. The statement shall include the professionalism and independence of the related personnel, the reasonableness and correctness of information used, and compliance with related laws and regulations.</u></p>	<p><b>Article 4</b></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p><b>Chapter 2 treatment scheme</b>  First quarter: <u>Evaluation and Operational procedure</u></p>	<p><b>Chapter 2 treatment scheme</b>  First quarter: <del>Establish the treatment scheme</del></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

After the revision	Before the revision	Description
<p><b>Article 5 :</b> The company acquiring or disposing of assets shall complied with the procedures as below :</p> <p>1. When the Company acquires or disposes of long-term and short-term securities, the related department shall handle the purpose and nature of the acquisition or disposal, the quantity and estimated transaction date and the price_ <a href="#">(in case of non-stock exchange market or non-exchange trading, the Company shall seek a securities analyst's or the CPA's opinion on the reasonableness of the price)</a> in accordance with Subparagraphs 4 and 6 of Article 5 <a href="#">and Article 9</a> herein.</p> <p>2. When the Company acquires or disposes of real estate, the related department shall handle the purpose or use of the acquisition or disposal, the name, nature, location and area of the transaction, the expected transaction date, the method of the transaction (through bidding or bargaining), price (including brokerage fees in case of a broker), delivery or payment terms in accordance with Subparagraphs 4 and 6 of Article 5 <a href="#">and Article 8</a> herein.</p>	<p><b>Article 5 :</b> The company acquiring or disposing of assets shall complied with the procedures as below :</p> <p>1. When the Company acquires or disposes of long-term and short-term securities, the related department shall handle the purpose and nature of the acquisition or disposal, the quantity and estimated transaction date and the in accordance with Subparagraphs 4 and 6 of Article 5 herein.</p> <p>2. When the Company acquires or disposes of real estate, the related department shall handle the purpose or use of the acquisition or disposal, the name, nature, location and area of the transaction, the expected transaction date, the method of the transaction (through bidding or bargaining), price (including brokerage fees in case of a broker), delivery or payment terms in accordance with Subparagraphs 4 and 6 of Article 5 herein.</p>	<p>Complied with the amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><b>Article 5 :</b> The company acquiring or disposing of assets shall comply with the procedures as below :</p> <p>3. When the Company acquires or disposes of equipment, the related department shall handle the purpose or use of the acquisition or disposal, the name, nature and quantity of the transaction, the expected transaction date, the method of the transaction (through bidding or bargaining), price, delivery or payment terms in accordance with Subparagraph 6 of Article 5 <a href="#">and Article 8</a> herein.</p> <p>4.The total amount of real estate <a href="#">and right-of-use assets</a> or securities purchased by the Company for non-business uses shall not exceed 50% of the net value of its most recent CPA-certified financial statements, and the amount of investment in individual securities shall not exceed 20% of the paid-in capital of its most recent CPA-certified financial statements; however, real estate shall be purchased in accordance with the related regulations and upon approval of the Board of Directors.</p> <p>5.The total amount of real estate <a href="#">and right-of-use assets</a> or securities purchased by a subsidiary of the Company for non-business uses shall not exceed three times the net value of its most recent</p>	<p><b>Article 5 :</b> The company acquiring or disposing of assets shall comply with the procedures as below :</p> <p>3.When the Company acquires or disposes of equipment, the related department shall handle the purpose or use of the acquisition or disposal, the name, nature and quantity of the transaction, the expected transaction date, the method of the transaction (through bidding or bargaining), price, delivery or payment terms in accordance with Subparagraph <del>4 and</del> 6 of Article 5 herein.</p> <p>4.The total amount of real estate or securities purchased by the Company for non-business uses shall not exceed 50% of the net value of its most recent CPA-certified financial statements, and the amount of investment in individual securities shall not exceed 20% of the paid-in capital of its most recent CPA-certified financial statements; however, real estate shall be purchased in accordance with the related regulations and upon approval of the Board of Directors.</p> <p>5.The total amount of real estate or securities purchased by a subsidiary of the Company for non-business uses shall not exceed three times the net value of its most recent CPA-certified financial</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
CPA-certified financial statements.	statements.	
<p><b>Article 8</b>  In acquiring or disposing of real property, equipment <a href="#">or the right-of-use asset</a> where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with <a href="#">domestic</a> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <a href="#">or the right-of-use asset</a> for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:  1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p>	<p><b>Article 8</b>  In acquiring or disposing of real property <del>or</del> equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:  1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><b>Article 9 :</b> The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p>	<p><b>Article 9 :</b> The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC) <del>except otherwise herein provided as below:</del> <del>1. Companies incorporated by means of sponsorship or share offer and acquiring securities by cash.—</del> <del>2. Companies participating in increase in accordance with</del></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>



After the revision	Before the revision	Description
	<p><del>related laws and regulations.—</del>  <del>3. 100% investee companies participating in acquisition and issuing securities for cash capital increase.—</del>  <del>4. TWSE/TPEX listed securities or emerging securities traded on any stock exchange or securities exchange.—</del>  <del>5. Government bonds, bonds under repurchase agreement or bonds under reverse repurchase agreement.—</del>  <del>6. Domestic and foreign funds.—</del>  <del>7. Stocks of TWSE/TPEX listed companies acquired or disposed of in accordance with the TWSE or Taipei Exchange Rules Governing Reverse Auction of TPEX Listed Securities.—</del>  <del>8. Securities acquired from the subscription of stocks of listed companies for cash capital increase and not through private placement.—</del>  <del>9. Companies purchasing equity before the establishment of the equity in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act and the Order Jin-Guang-Zheng-Si No. 0930005249 dated November 1, 2004.—</del>  <del>10. Domestic private equity funds purchased or repurchased, if the investment strategy, as stated in the trust agreement, is the same as that of public equity funds except for securities margin transactions and outstanding securities products held.—</del></p>	<p>Complied with the amendment of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><b>Article 10</b> Where the company acquires or disposes of intangible assets, <a href="#">right-of-use asset or memberships</a> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with <a href="#">domestic</a> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p><b>Article 10</b> Where the company acquires or disposes of <del>memberships or</del> intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p><b>Article 11</b> The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with <a href="#">Article 26</a>, 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p><a href="#">Article 12</a> <a href="#">Article 13</a></p>	<p><del>Article 10-1</del> The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with <del>Article 25</del>, 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p><del>Article 11</del> <del>Article 12</del></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with <a href="#">Article 11.</a></p>	<p>The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with <del>Article 10-1.</del></p>	
<p><b><a href="#">Article 14</a></b>  When the company intends to acquire or dispose of real property <a href="#">or the right-of-use asset</a> from or to a related party, or when it intends to acquire or dispose of assets other than real property <a href="#">or the right-of-use asset</a> 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 NT\$300 million or more, except in trading of <a href="#">domestic</a> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee for the majority of the members , after that obtain resolution from board of directors meeting.</p> <p>3. With respect to the acquisition of real property <a href="#">or the right-of-use asset</a> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in</p>	<p><del><b>Article 13</b></del>  When the company intends to acquire or dispose of real property from or to a related party, or when it 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 NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee for the majority of the members , after that obtain resolution from board of directors meeting.</p> <p>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with <del>Article 14-</del></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p>accordance with Article 15 <a href="#">and Article 16</a>.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <a href="#">Article 26</a>, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction.</p> <p>Items that have been approved by the audit committee and approved by the board of directors need not be counted toward the transaction amount.</p> <p><a href="#">With respect to the acquisition or disposal between a public company and its parent or subsidiaries, the company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</a></p> <p><a href="#">1. Where the type of asset acquired or disposed is equipment or the right-of-use asset for business use.</a></p> <p><a href="#">2. Where the type of asset acquired or disposed is real estate or the right-of-use asset for business use.</a></p>	<p><del>and</del> Article 15.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with <a href="#">Article 25</a>, 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 audit committee and approved by the board of directors need not be counted toward the transaction amount.</p>	

After the revision	Before the revision	Description
<p><b><u>Article 15</u></b></p> <p>The company that acquires real property <u>or the right-of-use asset</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>Where land and structures thereupon are combined as a single property purchased <u>or rent</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The company that acquires real property <u>or the right-of-use asset</u> from a related party and appraises the cost of the real property <u>or the right-of-use asset</u> in accordance with <u>the previous two paragraphs</u> shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>The company acquires real property <u>or the right-of-use asset</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <u>proceeding Article</u> and the preceding three paragraphs do not apply:</p> <p>1. The related party acquired the real property <u>or the right-of-use asset</u> through inheritance or as a gift.</p>	<p><b>Article 14</b></p> <p>The company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>The company that acquires real property from a related party and appraises the cost of the real property in accordance with <del>paragraph 1 and paragraph 2</del> shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>The company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with <del>Article 13</del> and the preceding three paragraphs do not apply:</p> <p>1. The related party acquired the real property through inheritance or as a gift.</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or the right-of-use asset</u> to the signing date for the current transaction.</p> <p><u>4. The Company acquires real estate and its right-of-use assets for business use from its parent company, subsidiaries, or subsidiaries that the Company directly or indirectly holds 100% of the issued shares or total capital.</u></p>	<p>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p>	
<p><b>Article 16</b></p> <p>The company acquires real property from a related party and the results of appraisals conducted in accordance with Article <u>17</u> are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p>	<p><b>Article 15</b></p> <p>The company acquires real property from a related party and the results of appraisals conducted in accordance with Article <del>16</del> are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p>2. Where the company acquiring real property <a href="#">or right-of-use asset</a> from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <a href="#">or right-of-use asset</a>.</p>	<p><del>C. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</del></p> <p>2. Where the company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	

After the revision	Before the revision	Description
<p><b><u>Article 17</u></b>  Where the company acquires real property <u>or right-of-use asset</u> from a related party and the results of appraisals conducted in accordance with <u>the previous two paragraphs</u> are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with the Act against the difference between the real property <u>or right-of-use asset</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. <u>Independent director members of</u> the audit committee shall comply with Article 218 of the Company Act.</li> <li>3. Actions taken pursuant to <u>the previous two paragraphs</u> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</li> </ol>	<p><b><del>Article 16</del></b>  Where the company acquires real property from a related party and the results of appraisals conducted in accordance with <del>Article 14 and Article 15</del> are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</li> <li>2. Audit committee shall comply with Article 218 of the Company Act.</li> <li>3. Actions taken pursuant to <del>subparagraph 1 and subparagraph 2</del> shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</li> </ol>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>



After the revision	Before the revision	Description
<p><b><u>Article 17</u></b>  The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or rented</u> at a premium, or they have been disposed of, <u>or ended the lease</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.  The company obtains real property <u>or right-of-use asset</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p><b><u>Article 18</u></b>  <b><u>Article 19</u></b></p>	<p><b><del>Article 16</del></b>  The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.  The company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p> <p><b><del>Article 17</del></b>  <b><del>Article 18</del></b></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p><b><u>Article 20</u></b>  The company participating in a merger, demerger, acquisition, or transfer of shares is not a public company or company's securities trading on Over-The-Counter Markets, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of <u>previous two Paragraph.</u></p>	<p><b><del>Article 19</del></b>  The company participating in a merger, demerger, acquisition, or transfer of shares is not a public company or company's securities trading on Over-The-Counter Markets, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of <del>Paragraph 3, Paragraph 4, Article 20, and Article 23.</del></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><a href="#">Article 21</a>  <a href="#">Article 22</a>  <a href="#">Article 23</a>  <a href="#">Article 24</a>  <a href="#">Article 25</a></p> <p>The company participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of <a href="#">Article 20</a>, Article 21, and <a href="#">Article 24</a>.</p>	<p><del>Article 20</del>  <del>Article 21</del>  <del>Article 22</del>  <del>Article 23</del>  <del>Article 24</del></p> <p>The company participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of <del>Article 19</del>, Article 20, and <del>Article 23</del>.</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p><a href="#">Article 26</a></p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property <a href="#">or right-of-use asset</a> from or to a related party, or acquisition or disposal of assets <a href="#">or right-of-use asset</a> other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <a href="#">domestic</a> government bonds or bonds under</p>	<p><del>Article 25</del></p> <p>Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and</p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p data-bbox="156 153 464 328">repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p data-bbox="156 536 487 1445"><u>3.</u> Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: A. Trading of <u>domestic</u> government bonds. B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. C. Where the type of asset acquired or disposed is <u>equipment or right-of-use asset</u> for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million. D. Where land is acquired under an arrangement on engaging others to build on the</p>	<p data-bbox="487 153 812 296">resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p data-bbox="487 360 812 536"><del>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</del></p> <p data-bbox="487 536 812 1445"><u>4.</u> Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: A. Trading of government bonds. B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. C. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million. D. Where land is acquired under an arrangement on engaging others to build on the</p>	<p data-bbox="812 153 987 440">Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p>company's own land, engaging others to build on rented land , joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <a href="#">the trading counterparty is not a related party</a>, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: The amount of transactions above shall be calculated as follows:</p> <p>C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <a href="#">or right-of-use assets</a> thereof within the same development project within the preceding year.</p> <p><a href="#">Article 27</a></p>	<p>company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: The amount of transactions above shall be calculated as follows:</p> <p>C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property thereof within the same development project within the preceding year.</p> <p><del>Article 26</del></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

After the revision	Before the revision	Description
<p><b><u>Article 28</u></b>  The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <a href="#">Article 26</a>, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein of paid-in capital or total assets.  <a href="#">For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</a></p> <p><b><u>Article 29</u></b>  <b><u>Article 30</u></b></p>	<p><b><del>Article 27</del></b>  The paid-in capital or total assets of the company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to <del>Article 25</del>, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein <del>reaches 20-percent</del> of paid-in capital or <del>10-percent of the</del> total assets.</p> <p><b><del>Article 28</del></b>  <b><del>Article 29</del></b></p>	<p>Complied with the amendment of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>
<p><b><u>Article 31</u></b>  The procedures were established on March 30, 2004 ; 1st revised on June 16,2006; 2rd revised on June 22, 2007;(Omit) .....8th revised on June 21, 2018 <a href="#">and 9th revised on June 28, 2019.</a></p>	<p><b><del>Article 30</del></b>  The procedures were established on March 30, 2004 ; 1st revised on June 16,2006; 2rd revised on June 22, 2007;(Omit) .....<del>and</del>8th revised on June 21, 2018.</p>	<p>Added revision date</p>

**Proposal 2: Amendment to “Operational Procedures for  
Derivatives Trading “.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. Complied with the requirements under the notice letter No. 1070341072 which issued by Financial Supervisory Commission (FSC) and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” , the company’s “Operational Procedures for Derivatives Trading” shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 61 to page 63).
2. Request to resolve.

Resolution:

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

After the revision	Before the revision	Description
<p><b>Article 3: Scope and Type</b>  Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, contracts combining the above products, <a href="#">embedded derivative goods contracts, and structured products</a>, whose value is derived from <a href="#">specific interest rates, financial instrument price, commodity price</a>, foreign exchange rates, <a href="#">price or rate indexes, credit rating, credit indexes, or other</a>.  The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p><b>Article 3: Scope and Type</b>  Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, <del>and compound</del> contracts combining the above products, whose value is derived from <del>assets, interest rates, foreign exchange rates, indexes-or-other-interests-</del>  The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p><b>Article 4 : Handling Procedures:</b>  <b>3.Public announcement and regulatory reporting procedures</b>  (1)When the Company’s derivatives trade loss reaches the loss limits stated in Article 4.1.3.2, it should be published on the website designated by the Competent Authority in accordance with the prescribed format within 2 days <a href="#">commencing</a> from the date of occurrence event.  <a href="#">(2)The company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is</a></p>	<p><b>Article 4 : Handling Procedures:</b>  <b>3.Public announcement and regulatory reporting procedures</b>  (1)When the Company’s derivatives trade loss reaches the loss limits stated in Article 4.1.3.2, it should be published on the website designated by the Competent Authority in accordance with the prescribed format within 2 days from the date of occurrence of the event.  <del>(2)The company should reveal in the financial report about the acquiring or disposing of</del></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

After the revision	Before the revision	Description
<p><u>required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</u></p> <p><u>(3)Where any of the following circumstances occurs with respect to a transaction the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</u></p> <p><u>A. Change, termination, or rescission of a contract signed in regard to the original transaction.</u></p> <p><u>B. Change to the originally publicly announced and reported information.</u></p>	<p><del>derivatives trading complying with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, but otherwise are exempted from announcement in pervious provisions of these Regulations.</del></p> <p><del>(3)The company should report the pervious year’s internal audit report, internal audit plan, and the audit result of the audit plan to the FSC, and also need to report the amend-conditions of the abnormal items to the FSC before the end of May in the next year.</del></p>	
<p><b>Article 4 : Handling Procedures:</b></p> <p><b>4. Data saving</b> <u>The company should save the related record in the company, and retain it at least 5 years unless the law provides otherwise.</u></p> <p><b>7. Others:</b> (2) Matters not covered above the procedure should comply with <u>“Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and related Act.</u></p>	<p><b>Article 4 : Handling Procedures:</b></p> <p><del><b>4. Accounting treatment</b>– The accounting treatment of the derivative transactions shall be handled in accordance with the ROC Financial Accounting Standards issued by the Accounting Research and Development Foundation.</del></p> <p><b>7. Others:–</b> (2) Matters not covered above the procedure should comply with <del>the company’s “Operational Procedures for Acquisition and Disposal of Assets”</del></p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Company”.</p>



After the revision	Before the revision	Description
<p><a href="#">(3)The Company shall see to its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Regulations.</a></p>		
<p><b>Article 4 : Handling Procedures: 8. Effectiveness and amendment</b>  The Procedures shall obtain approval by the Audit Committee for the majority of the members , after that obtain resolution from the Board of Directors and report to the shareholders’ meeting for agreement, the same procedures apply to revision.  When the <a href="#">related</a> derivatives trading proposal propose to the Board of Directors for discussing, 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 Audit Committee.</p>	<p><b>Article 4 : Handling Procedures: 8. Effectiveness and amendment</b>  The Procedures shall obtain approval by the Audit Committee for the majority of the members , after that obtain resolution from the Board of Directors and report to the shareholders’ meeting for agreement, the same procedures apply to revision.  When the derivatives trading proposal propose to the Board of Directors for discussing, 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 Audit Committee.</p>	<p>Complied with the amendment of “Regulations Governing the Acquisition and Disposal of Assets by Public Company”.</p>
<p><b>Article 5</b>  The Procedures were established on March 30 2004; 1st revised on June 22, 2007 ; 2rd revised on June 21, 2018, <a href="#">and 3th revised on June 28, 2019.</a></p>	<p><b>Article 5</b>  The Procedures were established on March 30 2004; 1st revised on June 22, 2007 and 2rd revised on June 21, 2018.</p>	<p>Add the revision date.</p>

**Proposal 3: Amendment to “Operational Procedures for  
Loaning of Funds to Other Parties “.  
Please proceed to discuss.**

(Proposed by the Board of Directors.)

**Explanation:**

1. Complied with the requirements under the notice letter No. 1080304826 which issued by Financial Supervisory Commission (FSC) and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the company’s “Operational Procedures for Loaning of Funds to Other Parties” shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 65 to page 67).
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
<p><b>Article 2</b></p> <p><a href="#"><u>The responsible person of a company who has violated the provisions of the preceding Paragraph shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.</u></a></p>	<p><b>Article 2</b></p> <p><del>3. The restriction in article 4 shall not apply to inter-company loans of funds between overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares. However, the provisions of Article 4 &amp; 5 concerning the setting of the amount limits and the durations of loans shall still apply.—</del></p>	<p>Complied with the amendment of ” Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies”.</p>
<p><b>Article 4</b></p> <p><a href="#"><u>4. The restriction shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares or loans of funds between the Company and overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. The limit of total loans should no more than 20 percent of the company's net worth as stated in its latest financial statement and the limit of individual loans should no more than 6 percent of the company's net worth as stated in its latest financial statement.</u></a></p>	<p><b>Article 4</b></p>	<p>Complied with the amendment of ” Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies”.</p>

After the revision	Before the revision	Description
<p><b>Article 5</b>  <u>3. The lease term shall not more than 3 years in inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares or loans of funds between the Company and overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. If the borrower want to renew, it need to pay back the loan first, after that it can re-apply the loan.</u></p>	<p><b>Article 5</b></p>	<p>Complied with the amendment of " Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies".</p>
<p><b>Article 8</b>  4. "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the <u>loaning</u> counterparty and monetary amount of the transaction, whichever date is earlier.</p>	<p><b>Article 8</b>  4. "Date of occurrence" in these Regulations means the date of <del>transaction</del>-contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the <del>transaction</del> counterparty and monetary <del>transaction</del> amount of the transaction, whichever date is earlier.</p>	<p>Complied with the amendment of " Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies".</p>
<p><b>Article 11</b>  The company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	<p><b>Article 11</b>  The company shall <del>according- Generally Accepted Accounting Principles</del> to evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	<p>Complied with the amendment of " Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies".</p>

After the revision	Before the revision	Description
<p><b>Article 13</b> The so-called “all Audit Committee members” and “all directors” in <a href="#">this article</a> refer to all the incumbents.</p>	<p><b>Article 13</b> The so-called “all Audit Committee members” and “all directors” in <del>the preceding paragraph</del> refer to all the incumbents.</p>	<p>Complied with the amendment of “Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies”.</p>
<p><b>Article 14</b> The procedures were established on March 30, 2004 ; 1st revised on June 22,2007; (Omit) .... ; 5th revised on June 21, 2018, <a href="#">and 6th revised on June 28, 2019.</a></p>	<p><b>Article 14</b> The procedures were established on March 30, 2004 ; 1st revised on June 22, 2007; (Omit) ....; 5th revised on June 21, 2018.</p>	<p>Added revision date</p>

**Proposal 4: Amendment to “Operational Procedures for Making of Endorsements and Guarantees “.**  
**Please proceed to discuss.**

(Proposed by the Board of Directors.)

**Explanation:**

1. Complied with the requirements under the notice letter No. 1080304826 which issued by Financial Supervisory Commission (FSC) and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the company’s “Operational Procedures for Making of Endorsements and Guarantees” shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 69 to page 70).
2. Request to resolve.

**Resolution:**

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

After the revision	Before the revision	Description
<p><b>Article 5</b> The company whose making of endorsements and guarantees reach one of the following levels shall announce and report such event within two days <a href="#">commencing</a> immediately from the date of occurrence:</p> <p>3.The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, <a href="#">book value in investments amount for Using Equity Method</a>, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p> <p><a href="#">5. “Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</a></p>	<p><b>Article 5</b> The company whose making of endorsements and guarantees reach one of the following levels shall announce and report such event within two days immediately from the date of occurrence:</p> <p>3.The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, investment <del>of a long-term nature in</del>, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.</p>	<p>Complied with the amendment of ” Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies”.</p>

After the revision	Before the revision	Description
<p><b>Article 8</b> The company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>	<p><b>Article 8</b> The company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports <del>according- International Accounting Standards No.9</del> and provide certified public accountants with relevant information for implementation of necessary audit procedures.</p>	<p>Complied with the amendment of " Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies".</p>
<p><b>Article 10</b> The so-called "all Audit Committee members" and "all directors" in <a href="#">this article</a> refer to all the incumbents.</p>	<p><b>Article 10</b> The so-called "all Audit Committee members" and "all directors" in <del>the preceding paragraph</del> refer to all the incumbents.</p>	<p>Complied with the amendment of " Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies".</p>
<p><b>Article 11</b> The procedures were established on March 30, 2004 ; 1st revised on June 22,2007; (Omit) .... ; 5th revised on June 21, 2018, <a href="#">and 6th revised on June 28, 2019.</a></p>	<p><b>Article 11</b> The procedures were established on March 30, 2004 ; 1st revised on June 22, 2007; (Omit) ....; 5th revised on June 21, 2018.</p>	<p>Added revision date</p>



**Proposal 5: Approval of the Lift on the Prohibition on  
Directors from Concurrently Acting as a Director  
and/or Managerial Personnel of Another  
Company**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. According to Article 209 of Company Act, 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 some directors shall not act as a director and/or manager of another company in response to the need of the company's business operations. Please refer to the list as attached hereto (from page 72 to page 75).
3. Request to resolve.

Resolution:

**The Lift on the Prohibition on Directors from Concurrently  
Acting as a Director and/or Managerial Personnel of Another Company**

Title	Name	Acting as a Director and/or Managerial Personnel of Another Company
Chairperson	Yen Chen, Li-lien	<ol style="list-style-type: none"> <li>1. Chairperson, Yulon Motor Co., Ltd.</li> <li>2. Chairperson, China Motor Co., Ltd.</li> <li>3. Director, Yulon Finance Co., Ltd.</li> <li>4. Vice Chairperson, Winsome Co., Ltd.</li> <li>5. Chairperson, Tai-Yuen Textiles Co., Ltd.</li> <li>6. Chairperson, Yulon Management Co., Ltd.</li> <li>7. Chairperson, Yu-Pong Business Co., Ltd.</li> <li>8. Director, Chun Yuan Investment Co., Ltd.</li> <li>9. Chairperson, Tai-Wen Textiles Co., Ltd.</li> <li>10. Director, Yen Tjing Ling Medical Foundation</li> <li>11. Chairperson, Yen Tjing Ling Industrial Development Foundation</li> <li>12. Chairperson, Vivienwu Journalism Award Foundation</li> <li>13. Chairperson, Vivienwu Industrial Development and Promotion Association</li> <li>14. Chairperson, Yung Hong Investment Co., Ltd.</li> <li>15. Chairperson, Xiang Wei Investment Co., Ltd.</li> <li>16. Chairperson, Sinshing Investment Co., Ltd.</li> <li>17. Director, Wei Tai Investment Co., Ltd.</li> <li>18. Supervisor, Le Wen Investment Co., Ltd.</li> <li>19. Director, Wen Shen Investment Co., Ltd.</li> <li>20. Chairperson, Yuen Wei Investment Co., Ltd.</li> <li>21. Chairperson, Yun Shueng Investment Co., Ltd.</li> <li>22. Chairperson, Lee Yuan Investment Co., Ltd.</li> <li>23. Chairperson, Ly Pon Investment Co., Ltd.</li> <li>24. Chairperson, Yuan Tuo Investment Co., Ltd.</li> </ol>

Title	Name	Acting as a Director and/or Managerial Personnel of Another Company
Director	Chen, Kuo-Rong	<ol style="list-style-type: none"> <li>1. Vice Chairperson, Yulon Motor Co., Ltd.</li> <li>2. Director, China Motor Co., Ltd.</li> <li>3. Chairperson, Luxgen Motor Co., Ltd.</li> <li>4. Chairperson, Hwa-Chuan Auto Technology Center Co., Ltd.</li> <li>5. Chairperson, Yulon Finance Co., Ltd</li> <li>6. Chairperson, Yulon Construction Co., Ltd.</li> <li>7. Director, Winsome Co., Ltd.</li> <li>8. Chairperson, Yulon Energy Service Co., Ltd.</li> <li>9. Director, Tai-Yuen Textiles Co., Ltd.</li> <li>10. Director and CEO, Yulon Management Co., Ltd.</li> <li>11. Director, Yu Pong Business Co., Ltd.</li> <li>12. Director, Chun Yuan Investment Co., Ltd.</li> <li>13. Director, Tai-Wen Textiles Co., Ltd.</li> <li>14. Vice Chairperson, Dongfeng Yulon Motor Co., Ltd.</li> <li>15. Director, Dong Feng Yulon Motor Sales Co., Ltd.</li> <li>16. Chairperson, Yulon China Motor Investment Co., Ltd.</li> <li>17. Director, Yen Tjing Ling Medical Foundation</li> <li>18. Director, Yen Tjing Ling Industrial Development Foundation</li> <li>19. Director, Vivienwu Journalism Award Foundation</li> <li>20. Director and CEO, Yung Hong Investment Co., Ltd.</li> <li>21. Director, Xiang Wei Investment Co., Ltd.</li> <li>22. Director, Sinshing Investment Co., Ltd.</li> <li>23. Director, Yu Xin Investment Co., Ltd.</li> <li>24. Director, Wen Shen Investment Co., Ltd.</li> <li>25. Director, Yuen Wei Investment Co., Ltd.</li> <li>26. Director, Yun Shueng Investment Co., Ltd.</li> <li>27. Director, Lee Yuan Investment Co., Ltd.</li> <li>28. Director, Ly Pon Investment Co., Ltd.</li> <li>29. Director, Grand Win Overseas Ltd.</li> <li>30. Director, Yulon China Investment (Hong Kong) Co., Ltd.</li> <li>31. Director, Yulon Motor Investment (Hong Kong) Co., Ltd.</li> <li>32. Director, Yulon New Energy (Hong Kong) Co., Ltd.</li> </ol>

		<p>33. Director, Jetford Inc.</p> <p>34. Director, Yulon China Investment Co., Ltd.</p> <p>35. Director, Yulon Overseas Co., Ltd.</p> <p>36. Director, PAC-LINK MANAGEMENT CORP.</p> <p>37. Chairperson, Wen Yang(Samoa) Investment Co., Ltd.</p> <p>38. Chairperson, Tai Xin(Samoa) Investment Co., Ltd.</p> <p>39. Chairperson, Qing Yi(Samoa) Investment Co., Ltd.</p> <p>40. Chairperson, Yi Jan Overseas Investment Co., Ltd.</p> <p>41. Director, Yulon China Holding Co., Ltd.</p> <p>42. Director, Yulon Philippines Investment Co., Ltd.</p> <p>43. Director, Yulon New Energy (Cayman) Co., Ltd.</p> <p>44. Director, Luxgen (Hangzhou) Motor Sales Co., Ltd.</p>
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Title	Name	Acting as a Director and/or Managerial Personnel of Another Company
Director	Yao, Chen Hsiang	<ol style="list-style-type: none"> <li>1. Director and CEO, Yulon Motor Co., Ltd.</li> <li>2. Director, Luxgen Motor Co., Ltd.</li> <li>3. Director, China Engine Co., Ltd.</li> <li>4. Director, Yulon Finance Co., Ltd.</li> <li>5. Chairperson, Uni Auto Parts Manufacture Co., Ltd.</li> <li>6. Chairperson, China Ogihara Co., Ltd.</li> <li>7. Director, Yulon Construction Co., Ltd.</li> <li>8. Chairperson, Yu Sing Motor Co., Ltd.</li> <li>9. Chairperson, Yushin Motor Co., Ltd.</li> <li>10. Director, Yulon Energy Service Co., Ltd.</li> <li>11. Chairperson, Ding Long Motor Co., Ltd.</li> <li>12. Chairperson, Yulon Tobe Motor Co., Ltd.</li> <li>13. Chairperson, Yu Ching Co., Ltd.</li> <li>14. Chairperson, China Cast Iron Pipe Co., Ltd.</li> <li>15. Chairperson, Sin Chi Co., Ltd.</li> <li>16. Supervisor, Dongfeng Yulon Motor Co., Ltd.</li> <li>17. Chairperson, Luxgen (Hangzhou) Motor Sales Co., Ltd.</li> <li>18. Vice Chairperson, Aeolus Automobile Co., Ltd.</li> <li>19. Director, Guangzhou Aeolus Automobile Co., Ltd.</li> <li>20. Director, Yulon China Motor Investment Co., Ltd.</li> <li>21. Chairperson, UNIVATION MOTOR PHILIPPINES, INC.</li> <li>22. Director, Yung Hong Investment Co., Ltd.</li> <li>23. Chairperson, Yuen Wen Investment Co., Ltd.</li> </ol>
Independent Director	Guo, Rong-Fang	<ol style="list-style-type: none"> <li>1. Director, Taiwan Business Bank Co., Ltd.</li> <li>2. Supervisor, Acro Viz Inc.</li> <li>3. Supervisor, Chong Ren Shu Co., Ltd.</li> <li>4. Supervisor, Bridgnet Management Institute Co., Ltd.</li> <li>5. Independent Director &amp; Remuneration Committee Member, Tai-Shing Electronics Components Co., Ltd.</li> <li>6. Independent Director &amp; Remuneration Committee Member, Carnival Industrial Co., Ltd.</li> </ol>

## **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

1. As of May. 2, 2019, all directors minimum shareholding number and actually registered holding shares.

<b>Title</b>	<b>Minimum number of shares to be held</b>	<b>Shares actually held in share register</b>
Directors	12,000,000	263,505,000

2. As of May. 2, 2019, table of shares held by all directors.

<b>Title</b>	<b>Name</b>	<b>Shares held in share register</b>
President	Yulon Motor Co., Ltd. Representative : Yen Chen, Li Lien	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	Nissan Motor Co., Ltd. Representative : Takashi NISHIBAYASHI	120,000,000
Director	Nissan Motor Co., Ltd. Representative : Atsushi KUBO	
Director	Nissan Motor Co., Ltd. Representative : Atsuo TANAKAM	
Director	Nissan Motor Co., Ltd. Representative : Masahiro MOCHIZUKI	
Independent Director	Yun-Hua Yang	-
Independent Director	Hung-Wen Chang	-
Independent Director	Jung-Fang Kuo	-



## **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.