

Stock code: 2227

**YULON NISSAN MOTOR CO., LTD.**  
**Handbook of 2020 Annual General**  
**Shareholders' Meeting**



Time: June 19, 2020

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

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

**2020 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.**

## **2020 Annual General Shareholders' Meeting**

### **Agenda**

Time: Friday, June 19, 2020 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 2019
- (2) 2019 Audit Committee' Report
- (3) To report 2019 Employees' Compensation Distribution.

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

- (1) Adoption of the 2019 Business Report and Financial Statements
- (2) Recognition of 2019 Earnings Distribution

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

- (1) Amendment to the Company's "Articles of Incorporation".
- (2) The Lift on the Prohibition on Directors from Concurrently Acting as a Director and/or Managerial Personnel of Another Company

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

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

## Report Items

### **Item One:**

#### **The 2019 Business Report**

##### Business Report

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

The global economy has obviously not yet recovered due to the uncertainty of the on-going US-China trade conflict, rising geopolitical risks, sluggish economic performance in emerging markets, and the sluggish price of raw material worldwide. Although exports and investment in the second half of the year has benefited from the “order transfer effect” and “Home coming Taiwanese businessmen,” but overall, the economic growth rate is still declined from the year before.

A total of 427 thousand vehicles were sold in 2019 and representing 0.8% grown with the year of 2018. The sale of made-in-Taiwan vehicle had declined by 4.0%, imported vehicle grown by 6.3%; passenger vehicle declined by 6.2%, commercial vehicle grown by 27.0% and RV vehicle grown by 1.7%.

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

The Company sold 37,821 vehicles in 2019 and representing 3.0% grown with the year of 2018. The marketing share of 8.9%, and representing 0.2% grown with the year of 2018. The operating income amounted to NT\$32.50 billion, and representing 4.0% grown with the year of 2018. The operating profit amounted to NT\$1.36 billion, and representing 2.1% grown with the

year of 2018. The net income before tax amounted to NT\$9.11 billion, and representing 18.7% grown with the year of 2018. The earnings per share after tax was NT\$24.3, and representing 23.6% grown with the year of 2018. The relevant business activities in 2019 are as follows:

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

NISSAN had had a global launch of “LEAF,” the best seller of electric vehicle, in September and officially entered the popular electric vehicle market.

NISSAN had ALTIMA, the most representative flagship car of NISSAN, launched in the same month; also, it is equipped with the one and only VC Turbo engine with variable compression ratio, taking into account the 248 horsepower sports car function and excellent fuel consumption performance that bring consumers a brand new driving experience.

### **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.

Held 10 consecutive “Yulong Nissan Motor Innovation Awards” activities with a total of 6,000+ participants, providing all outstanding students with a platform where they can show their strengths in design and compete; also, cultivate more innovative energy for Taiwan.

In addition, provides securities to the unknown heroes who maintain the cleanliness of the city with the “Employer Compensation Contract Liability Insurance” premium made available to the short-term janitors of the Department of Environmental

Protection, Taipei City Government. Host the “blood bank” activity at the exhibition centers nationwide so the car owners and the company’s employees can help alleviate the blood shortage; at the same time, invite all NISSAN car owners to support the “You redeem, I donate, for the Children” charity activities, and support the Child Welfare Alliance “Long-term Nutrition Support Program for Vulnerable Children” with actions taken. Host the “NISSAN Nature Tour” activity continuously to promote environmental protection and energy conservation and carbon reduction in an educational and entertaining manner. Yulon Nissan has been paying attention to environmental protection issues for a long time, committing to comply with the relevant law and regulations, and compiling corporate social responsibility reports annually to fully disclose the company’s fulfillment of corporate social responsibility. The company also works with the suppliers to build up a green supply chain in order to substantiate the concept of “synergy of environmental protection and economic development” and contributes to the sustainable development of the earth.

### **3.Business operation in Mainland China**

A total of 25.769 million vehicles were sold in Mainland China in 2019, representing 8.2% declined over the year of 2018. Of which, a total of 21.444 million (decreased by 9.6%) passenger cars and 4.325 million (decreased by 1.1%) commercial vehicles were sold. For Dongfeng Nissan passenger cars, 1.277 million vehicles were sold in 2019.

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

Affected by the wide spread of the COVID-19 pandemic, the resumption of work in Wuhan where is the world's major auto parts production center has been postponed for several times; added with the lockdown of many cities and the implementation of a border control in China has affected the operation of logistics, resulting in the risk of domestic auto parts supply shortage. The company while facing such dilemma will strive to break through the bottleneck and maintain a stable operation and development.

#### **1. Introduction of new products**

NISSAN is expecting to launch a new generation of localized SENTRA in the fourth quarter. It is a car with the qualities of dazzling appearance, textured interior, smart travel safety, excellent fuel consumption, and satisfactory power drive. SENTRA will become a strategic car model of NISSAN series.

The original unrestricted, improved, and imported "JUKE" from UK will be launched in the same season.

The new generation European urban sporty look car with a technological texture interior and a full-vehicle 1.0 turbo engine will definitely bring consumers a brand new driving experience.

#### **2. Improvement of Customer Service Satisfaction**

The "NISSAN" brand continued to be highly appreciated by car owners as indicated in the J.D. Power "CSI Customer Satisfaction Index" and "SSI Sales Satisfaction Index" surveys in 2019, and awarded with the "Non-Luxury Car Brand" in the second place. The sales and service quality of the "NISSAN" and "INFINITI" brands will be improved continuously; the hardware and software equipment will also be improved continuously in order to provide



consumers with quality products and services through the use of innovative information technology and the comprehensive and prompt service.

### **3. Export expansion**

The auto parts exporting revenue amounted to NT\$0.15 billion in 2019, including Singapore, Egypt, Japan, Thailand, Indonesia, the Philippines, Malaysia, Vietnam, India, South Korea, and adding Brazil market. In addition to continuously exporting parts, NISSAN will expand the areas for export in 2020 to create greater growth momentum for the Company's revenue.

### **4. Business operation in Mainland China**

The vehicle sales in Mainland China in 2020 will reach 25.31 million vehicles, and representing 2.0% decline with the year of 2019. Considering the planned sales volume of Dongfeng Nissan and the impact of the COVID-19 pandemic, the company cautiously expects that Dongfeng Nissan's automobile sales will be equivalent to the sales performance achieved in 2019.

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.

## **Item Two:**

### **2019 Audit Committee' Report**

Yulon Nissan Motor Co., Ltd.

Audit Committee' Report

The Board of Directors submits the 2019 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:

2020 Regular Shareholders' Meeting of the Company

Yulon Motor Co., Ltd.

Audit Committee Convenor : Jung-Fang Kuo

April 28 , 2020

## **Item Three:**

### **2019 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\$9,121 thousand dollars.

## **Ratification Items**

### **Proposal 1: Ratification of the 2019 Business Report and Financial Statements.**

**Please ratify.**

(Proposed by the Board of Directors.)

#### **Description:**

- (1)The compilation of the Company's Fiscal 2019 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 7 and page 11 to page 30 of this handbook for the Fiscal 2019 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3)Adoption requested.

#### **Resolution:**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Yulon Nissan Motor Company, Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule of No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statement for the year ended December 31, 2018 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, 2019. 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 2019 was \$403,350 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 understood the Company’s mold and dies depreciation process and related control systems and tested the implementation and operation of the process and determined controls. 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 and assessed the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we determined there was no 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, and 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, 2019 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 24, 2020

Notice to Readers

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

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



# YULON NISSAN MOTOR COMPANY, LTD.

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

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

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 5,051,278	18	\$ 6,423,983	25
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,251,525	5	325,129	1
Notes receivable - related parties (Notes 4, 20 and 27)	4,732	-	513	-
Trade receivables (Notes 4, 8 and 20)	18,184	-	31,340	-
Trade receivables - related parties (Notes 4, 20 and 27)	631,719	2	900,466	4
Other receivables (Notes 4 and 8)	27,077	-	56,102	-
Prepayments (Note 27)	1,065	-	12,243	-
Total current assets	<u>6,985,580</u>	<u>25</u>	<u>7,749,776</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 10)	17,548,758	64	16,244,030	62
Property, plant and equipment (Notes 4, 5, 11 and 27)	1,934,280	7	1,793,200	7
Right-of-use assets (Notes 4, 12 and 27)	729,943	3	-	-
Computer software (Notes 4 and 13)	22,170	-	25,152	-
Deferred tax assets (Notes 4 and 22)	106,927	1	116,324	-
Other non-current assets (Notes 14 and 27)	72,771	-	171,265	1
Total non-current assets	<u>20,414,849</u>	<u>75</u>	<u>18,349,971</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 27,400,429</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 20 and 27)	\$ 33,029	-	\$ 50,553	-
Trade payables	21,906	-	146,794	1
Trade payables - related parties (Note 27)	598,146	2	1,303,228	5
Lease liabilities (Notes 4, 12 and 27)	54,190	-	-	-
Other payables (Note 15)	924,918	3	981,106	4
Current tax liabilities (Notes 4 and 22)	706,161	3	648,662	2
Provisions (Notes 4, 5 and 16)	191,241	1	188,149	1
Other current liabilities (Notes 17 and 27)	4,607	-	4,679	-
Total current liabilities	<u>2,534,198</u>	<u>9</u>	<u>3,323,171</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 20 and 27)	-	-	22,487	-
Provisions (Notes 4, 5 and 16)	60,559	-	61,364	-
Lease liabilities (Notes 4, 12 and 27)	670,159	2	-	-
Net defined benefit liabilities (Notes 4 and 18)	232,025	1	329,881	1
Deferred tax liabilities (Notes 4 and 22)	2,330,164	9	1,905,810	8
Total non-current liabilities	<u>3,292,907</u>	<u>12</u>	<u>2,319,542</u>	<u>9</u>
Total liabilities	<u>5,827,105</u>	<u>21</u>	<u>5,642,713</u>	<u>22</u>
<b>EQUITY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks	3,000,000	11	3,000,000	12
Capital surplus	5,988,968	22	6,129,405	23
Retained earnings				
Legal reserve	5,473,169	20	4,884,164	19
Special reserve	1,163,895	4	1,163,895	4
Unappropriated earnings	7,218,124	27	6,011,725	23
Total retained earnings	13,855,188	51	12,059,784	46
Other equity	(1,270,832)	(5)	(732,155)	(3)
Total equity	<u>21,573,324</u>	<u>79</u>	<u>20,457,034</u>	<u>78</u>
<b>TOTAL</b>	<u>\$ 27,400,429</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)				
Sales (Note 4)	\$ 32,145,186	99	\$ 31,111,218	100
Service revenue (Note 4)	269,315	1	59,958	-
Other operating revenue	<u>84,106</u>	-	<u>86,554</u>	-
Total operating revenue	32,498,607	100	31,257,730	100
OPERATING COSTS (Notes 9, 21 and 27)	<u>27,650,385</u>	<u>85</u>	<u>25,931,003</u>	<u>83</u>
GROSS PROFIT	<u>4,848,222</u>	<u>15</u>	<u>5,326,727</u>	<u>17</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	2,481,695	8	2,886,302	9
General and administrative expenses	353,264	1	372,706	1
Research and development expenses	<u>621,509</u>	<u>2</u>	<u>707,445</u>	<u>2</u>
Total operating expenses	<u>3,456,468</u>	<u>11</u>	<u>3,966,453</u>	<u>12</u>
OTHER OPERATING INCOME AND EXPENSES (Note 21)	<u>2,491</u>	-	-	-
PROFIT FROM OPERATIONS	<u>1,394,245</u>	<u>4</u>	<u>1,360,274</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	7,572,985	24	6,170,791	20
Net foreign exchange gain (Note 21)	82,648	-	127,481	-
Interest income (Note 4)	56,633	-	27,523	-
Gain on financial assets at fair value through profit or loss, net	11,525	-	2,998	-
Gain (loss) on disposal of investments, net (Note 21)	9,815	-	(2,496)	-
Other revenue (Note 27)	1,892	-	4,434	-
Overseas business expenses (Note 27)	(7,069)	-	(10,156)	-
Interest expenses (Note 27)	(7,954)	-	(997)	-
Other losses (Note 27)	<u>(2,453)</u>	-	<u>(3,292)</u>	-
Total non-operating income and expenses	<u>7,718,022</u>	<u>24</u>	<u>6,316,286</u>	<u>20</u>
PROFIT BEFORE INCOME TAX	9,112,267	28	7,676,560	25
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,830,370</u>	<u>5</u>	<u>1,786,514</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>7,281,897</u>	<u>23</u>	<u>5,890,046</u>	<u>19</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 13,137	-	\$ 33,034	-
Share of the other comprehensive loss of subsidiaries accounted for using equity method	(51)	-	(67)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	(2,617)	-	(3,466)	-
	<u>10,469</u>	<u>-</u>	<u>29,501</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(538,677)	(2)	(357,137)	(1)
Other comprehensive loss for the year, net of income tax	(528,208)	(2)	(327,636)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 6,753,689</u>	<u>21</u>	<u>\$ 5,562,410</u>	<u>18</u>
<b>EARNINGS PER SHARE (Note 23)</b>				
Basic	<u>\$24.27</u>		<u>\$19.63</u>	
Diluted	<u>\$24.27</u>		<u>\$19.63</u>	

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

(Concluded)

**YULON NISSAN MOTOR COMPANY, LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock	Capital Surplus (Notes 10 and 19)	Retained Earnings (Notes 10, 19 and 22)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2018	\$ 3,000,000	\$ 6,129,405	\$ 4,519,914	\$ 788,877	\$ 7,131,446	\$ (375,018)	\$ 21,194,624
Appropriation of 2017 earnings							
Legal reserve	-	-	664,250	-	(664,250)	-	-
Special reserve	-	-	-	375,018	(375,018)	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-	(300,000)	-	(6,000,000)	-	(6,300,000)
	-	-	364,250	375,018	(7,039,268)	-	(6,300,000)
Net profit for the year ended December 31, 2018	-	-	-	-	5,890,046	-	5,890,046
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	29,501	(357,137)	(327,636)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	5,919,547	(357,137)	5,562,410
BALANCE AT DECEMBER 31, 2018	3,000,000	6,129,405	4,884,164	1,163,895	6,011,725	(732,155)	20,457,034
Appropriation of 2018 earnings							
Legal reserve	-	-	589,005	-	(589,005)	-	-
Cash dividends distributed by the Company - NT\$17.67 per share	-	-	-	-	(5,301,000)	-	(5,301,000)
	-	-	589,005	-	(5,890,005)	-	(5,301,000)
Total comprehensive income (loss) for the year ended December 31, 2019							
Net profit for the year ended December 31, 2019	-	-	-	-	7,281,897	-	7,281,897
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	10,469	(648,866)	(638,397)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	7,292,366	(648,866)	6,643,500
Change in ownership interests in subsidiaries	-	(140,437)	-	-	(195,962)	110,189	(226,210)
BALANCE AT DECEMBER 31, 2019	\$ 3,000,000	\$ 5,988,968	\$ 5,473,169	\$ 1,163,895	\$ 7,218,124	\$ (1,270,832)	\$ 21,573,324

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

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,112,267	\$ 7,676,560
Adjustments for:		
Depreciation expenses	488,296	408,402
Amortization expenses	10,183	7,659
Gain on financial assets at fair value through profit or loss, net	(11,525)	(2,998)
Interest expense	7,954	997
Interest income	(56,633)	(27,523)
Share of the profit of subsidiary	(7,572,985)	(6,170,791)
Gain on disposal of property, plant and equipment, net	(2,491)	-
Gain (loss) on disposal of investment, net	(9,815)	2,496
Net foreign exchange gain	(118,652)	(154,773)
Recognition (reversal) of inventory purchase commitments	10,797	(5,963)
Warranty costs	127,708	149,410
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(905,056)	549,425
Notes receivable - related parties	(4,219)	1,099
Trade receivables	13,156	7,795
Trade receivables - related parties	268,819	1,580
Other receivables	26,243	71,080
Prepayments	1,446	7,826
Contract liabilities	(40,011)	(49,032)
Trade payables	(124,888)	91,409
Trade payables - related parties	(537,433)	298,115
Other payables	(56,188)	53,278
Other current liabilities	(72)	(2,453)
Provisions	(136,218)	(149,143)
Net defined benefit liabilities	(84,719)	(29,710)
Cash generated from operations	405,964	2,734,745
Interest paid	(7,954)	(997)
Income tax paid	(1,341,737)	(1,180,103)
Net cash generated from (used in) operating activities	<u>(943,727)</u>	<u>1,553,645</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	5,393,130	5,592,860
Interest received	59,415	23,801
Payments for property, plant and equipment (Note 24)	(736,811)	(622,698)
Proceeds from disposal of property, plant, and equipment	5,571	8
Payments for computer software	(7,201)	(11,929)
Decrease in refundable deposits	92,951	2,158
Increase in other non-current assets	-	(14,457)
Net cash generated from investing activities	<u>4,807,055</u>	<u>4,969,743</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (53,613)	\$ -
Payments of dividends	<u>(5,301,000)</u>	<u>(6,300,000)</u>
Cash used in financing activities	<u>(5,354,613)</u>	<u>(6,300,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>118,580</u>	<u>155,439</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,372,705)	378,827
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,423,983</u>	<u>6,045,156</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,051,278</u>	<u>\$ 6,423,983</u>

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

(Concluded)

## **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, 2019 and 2018, 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, 2019 and 2018, 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 audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 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, 2019. 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 2019 was \$403,350 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 understood the Company’s mold and dies depreciation process and related control systems and tested the implementation and operation of the process and controls. 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 and assessed the rationality of calculated depreciation and the accuracy of the carrying amount. Moreover, we determined there was no 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, and confirmed 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, 2019 and 2018 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 24, 2020

Notice to Readers

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

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

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

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 8,585,354	30	\$ 7,043,180	27
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,251,525	4	325,129	1
Notes receivable - related parties (Notes 4, 21 and 28)	4,732	-	513	-
Trade receivables (Notes 4, 8 and 21)	18,184	-	31,340	-
Trade receivables - related parties (Notes 4, 21 and 28)	628,987	2	894,105	4
Other receivables (Notes 4 and 8)	4,294,353	15	57,570	-
Prepayments (Note 28)	213,973	1	12,243	-
Total current assets	<u>14,997,108</u>	<u>52</u>	<u>8,364,080</u>	<u>32</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using equity method (Notes 4 and 11)	10,708,207	38	15,629,726	60
Property, plant and equipment (Notes 4, 5, 12 and 28)	1,934,280	7	1,793,200	7
Right-of-use asset (Notes 4, 13 and 28)	729,943	3	-	-
Computer software (Notes 4 and 14)	22,170	-	25,152	-
Deferred tax assets (Notes 4 and 23)	106,927	-	116,324	-
Other non-current assets (Notes 15 and 28)	72,771	-	171,265	1
Total non-current assets	<u>13,574,298</u>	<u>48</u>	<u>17,735,667</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 28,571,406</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 21 and 28)	\$ 33,029	-	\$ 50,553	-
Trade payables	21,906	-	146,794	1
Trade payables - related parties (Note 28)	598,146	2	1,303,228	5
Lease liabilities (Notes 4, 13 and 28)	54,190	-	-	-
Other payables (Note 16)	2,095,895	7	981,106	4
Current tax liabilities (Notes 4 and 23)	706,161	3	648,662	2
Provisions (Notes 4 and 17)	191,241	1	188,149	1
Other current liabilities (Notes 18 and 28)	4,607	-	4,679	-
Total current liabilities	<u>3,705,175</u>	<u>13</u>	<u>3,323,171</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Contract liability (Notes 4, 21 and 28)	-	-	22,487	-
Provisions (Notes 4 and 17)	60,559	-	61,364	-
Lease liabilities (Notes 4, 13 and 28)	670,159	2	-	-
Net defined benefit liabilities (Notes 4 and 19)	232,025	1	329,881	1
Deferred tax liabilities (Notes 4 and 23)	2,330,164	8	1,905,810	8
Total non-current liabilities	<u>3,292,907</u>	<u>11</u>	<u>2,319,542</u>	<u>9</u>
Total liabilities	<u>6,998,082</u>	<u>24</u>	<u>5,642,713</u>	<u>22</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Capital stock - NT\$10 par value; authorized 600,000 thousand stocks; issued and outstanding 300,000 thousand stocks	3,000,000	11	3,000,000	12
Capital surplus	5,988,968	21	6,129,405	23
Retained earnings				
Legal reserve	5,473,169	19	4,884,164	19
Special reserve	1,163,895	4	1,163,895	4
Unappropriated earnings	7,218,124	25	6,011,725	23
Total retained earnings	13,855,188	48	12,059,784	46
Other equity	(1,270,832)	(4)	(732,155)	(3)
Total equity	<u>21,573,324</u>	<u>76</u>	<u>20,457,034</u>	<u>78</u>
<b>TOTAL</b>	<u>\$ 28,571,406</u>	<u>100</u>	<u>\$ 26,099,747</u>	<u>100</u>

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 28)				
Sales (Note 4)	\$ 32,145,186	99	\$ 31,111,218	100
Service revenue (Note 4)	269,315	1	59,958	-
Other operating revenue	84,106	-	86,554	-
Total operating revenue	32,498,607	100	31,257,730	100
OPERATING COSTS (Notes 9, 22 and 28)	27,650,385	85	25,931,003	83
GROSS PROFIT	4,848,222	15	5,326,727	17
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	2,481,695	8	2,886,302	9
General and administrative expenses	383,020	1	396,226	2
Research and development expenses	621,509	2	707,445	2
Total operating expenses	3,486,224	11	3,989,973	13
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 28)	2,491	-	-	-
PROFIT FROM OPERATIONS	1,364,489	4	1,336,754	4
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	7,511,291	23	6,250,398	20
Gain (loss) on disposal of investments, net (Notes 11, 22 and 28)	405,519	1	(2,496)	-
Interest income (Note 4)	112,800	1	82,859	1
Gain on financial assets at fair value through profit or loss, net	11,525	-	2,998	-
Other revenue (Note 28)	1,892	-	4,434	-
Overseas business expenses (Note 28)	(7,069)	-	(10,156)	-
Interest expenses (Note 28)	(7,954)	-	(997)	-
Net foreign exchange gain (loss) (Note 22)	(277,773)	(1)	16,058	-
Other losses (Note 28)	(2,453)	-	(3,292)	-
Total non-operating income and expenses	7,747,778	24	6,339,806	21
PROFIT BEFORE INCOME TAX	9,112,267	28	7,676,560	25
INCOME TAX EXPENSES (Notes 4 and 23)	1,830,370	5	1,786,514	6
NET PROFIT FOR THE YEAR	7,281,897	23	5,890,046	19

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	\$ 13,137	-	\$ 33,034	-
Share of other comprehensive loss of associates accounted for using equity method (Note 11)	(51)	-	(67)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	(2,617)	-	(3,466)	-
	<u>10,469</u>	<u>-</u>	<u>29,501</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(538,677)	(2)	(357,137)	(1)
Other comprehensive loss for the year, net of income tax	<u>(528,208)</u>	<u>(2)</u>	<u>(327,636)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 6,753,689</u>	<u>21</u>	<u>\$ 5,562,410</u>	<u>18</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ 7,281,897</u>	<u>22</u>	<u>\$ 5,890,046</u>	<u>19</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ 6,753,689</u>	<u>21</u>	<u>\$ 5,562,410</u>	<u>18</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$24.27</u>		<u>\$19.63</u>	
Diluted	<u>\$24.27</u>		<u>\$19.63</u>	

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

(Concluded)

## YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Capital Stock	Capital Surplus (Notes 11 and 20)	Retained Earnings (Notes 11 and 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2018	\$ 3,000,000	\$ 6,129,405	\$ 4,519,914	\$ 788,877	\$ 7,131,446	\$ (375,018)	\$ 21,194,624
Appropriation of 2017 earnings							
Legal reserve	-	-	664,250	-	(664,250)	-	-
Special reserve	-	-	-	375,018	(375,018)	-	-
Cash dividends distributed by the Company - NT\$21 per share	-	-	(300,000)	-	(6,000,000)	-	(6,300,000)
	-	-	364,250	375,018	(7,039,268)	-	(6,300,000)
Net profit for the year ended December 31, 2018	-	-	-	-	5,890,046	-	5,890,046
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	29,501	(357,137)	(327,636)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	5,919,547	(357,137)	5,562,410
BALANCE AT DECEMBER 31, 2018	3,000,000	6,129,405	4,884,164	1,163,895	6,011,725	(732,155)	20,457,034
Appropriation of 2018 earnings							
Legal reserve	-	-	589,005	-	(589,005)	-	-
Cash dividends distributed by the Company - NT\$17.67 per share	-	-	-	-	(5,301,000)	-	(5,301,000)
	-	-	589,005	-	(5,890,005)	-	(5,301,000)
Change in percentage of associates for using equity method	-	-	-	-	(195,962)	-	(195,962)
Net profit for the year ended December 31, 2019	-	-	-	-	7,281,897	-	7,281,897
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	10,469	(648,866)	(638,397)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	7,292,366	(648,866)	6,643,500
Disposal of investments accounted for using equity method	-	(140,437)	-	-	-	110,189	(30,248)
BALANCE AT DECEMBER 31, 2019	\$ 3,000,000	\$ 5,988,968	\$ 5,473,169	\$ 1,163,895	\$ 7,218,124	\$ (1,270,832)	\$ 21,573,324

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

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,112,267	\$ 7,676,560
Adjustments for:		
Depreciation expenses	488,296	408,402
Amortization expenses	10,183	7,659
Gain on financial assets at fair value through profit or loss, net	(11,525)	(2,998)
Interest expense	7,954	997
Interest income	(112,800)	(82,859)
Share of profit of associates	(7,511,291)	(6,250,398)
Gain on disposal of property, plant and equipment, net	(2,491)	-
Loss (gain) on disposal of investment, net	(405,519)	2,496
Net foreign exchange loss (gain)	530,185	(93,130)
Recognition (reversal) of inventory purchase commitments	10,797	(5,963)
Warranty costs	127,708	149,410
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(905,056)	549,425
Notes receivable - related parties	(4,219)	1,099
Trade receivables	13,156	7,795
Trade receivables - related parties	265,118	3,758
Other receivables	26,242	71,080
Prepayments	1,446	7,826
Contract liability	(40,011)	(49,032)
Trade payables	(124,888)	91,409
Trade payables - related parties	(537,433)	298,115
Other payables	(56,188)	53,278
Other current liabilities	(72)	(2,453)
Provisions	(136,218)	(149,143)
Net defined benefit liabilities	(84,719)	(29,710)
Cash generated from operations	660,922	2,663,623
Interest paid	(7,954)	(997)
Income tax paid	(1,554,645)	(1,176,415)
Net cash generated from (used in) operating activities	<u>(901,677)</u>	<u>1,486,211</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	7,421,541	5,466,869
Interest received	111,159	79,962
Payments for property, plant and equipment (Note 25)	(736,811)	(622,698)
Proceeds from disposal of property, plant and equipment	5,571	8
Proceeds from disposal of investment properties	1,119,861	-
Decrease in refundable deposits	92,951	2,158
Payments for computer software	(7,201)	(11,929)
Increase in other non-current assets	-	(14,457)
Net cash generated from investing activities	<u>8,007,071</u>	<u>4,899,913</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	<b>2019</b>	<b>2018</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	\$ (5,301,000)	\$ (6,300,000)
Repayment of the principal portion of lease liabilities	<u>(53,613)</u>	<u>-</u>
Cash used in financing activities	<u>(5,354,613)</u>	<u>(6,300,000)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(208,607)</u>	<u>135,035</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,542,174	221,159
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,043,180</u>	<u>6,822,021</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,585,354</u>	<u>\$ 7,043,180</u>

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

(Concluded)



## **Proposal 2: Recognition of 2019 Earnings Distribution.**

(Proposed by the Board of Directors.)

Description :

1. Based on the audited 2019 financial statement, YNM presents 2019 earnings distribution statement as page 32.
2. According to earnings distribution statement, YNM proposes to distribute NT\$21.27 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 18, 2020. 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 14, 2020 to August 18, 2020.
3. Request to resolve.

Resolved:

## YULON NISSAN MOTOR CO., LTD.

### 2019 Earnings Distribution Statement

Unit: NT dollar

Item	Sub-total	Total
Beginning retained earnings		121,720,919
Less: Adjustment arising from investments accounted for using equity method		(51,185)
Add: Remeasurement of defined benefit plans		10,519,549
Less: Changes in subsidiaries equity		(195,962,330)
2019 Adjusted undistributed earnings (excluded net income)		(63,773,047)
2019 Net income after tax	7,281,897,557	
Less : Legal reserves	(721,812,451)	
Less : Special reserves	(106,935,653)	
Less : Distribution of shareholders dividends (Cash dividends \$21.27 per share)	(6,381,000,000)	72,149,453
Ending Undistributed Earnings		8,376,406

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.

## **Discussion Items**

### **Proposal 1: Amendment to the Company's " Articles of Incorporation".**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

#### Explanation:

1. Complied with the requirements under the notice letter No.10700083291 which about the amendment of article 162 in Company Act and No.10802432410 which about the calculation way of the legal reserve , the Company's "Articles of Incorporation" shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 34 to page 35).
2. Request to resolve.

#### Resolution:

## Comparison Table for the “Articles of Incorporation”

After the revision	Before the revision	Description
<p><b>Article 8</b> The Company’s share certificates shall be numbered, signed by or sealed with stamps of <u>the director representing the company</u>, and certified <u>by the bank which is competent to certify shares</u> 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.</p>	<p><b>Article 8</b> The Company’s share certificates shall be numbered, signed by or sealed with stamps of <del>more than three Directors</del>, 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.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No.10700083291 which issued by MOEA.</p>
<p><b>Article 31</b> For the Company’s <u>surplus profit</u> (The ‘surplus profit’ refers to the <u>net income plus the amounts of the current retained earnings adjustments which are not counted in the net income</u>) 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 at the beginning of the year shall be proposed first by the Board of Directors and to be resolved in the shareholders meeting.</p>	<p><b>Article 31</b> For the Company’s <del>net income</del> 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.</p>	<p>Complies with the amendment of No.10802432410 which issued by MOEA</p>

After the revision	Before the revision	Description
<p><b>Article 35</b>  The Articles were formulated on June 30th,2003; the first amendment was made on March 30th, ....., and the tenth amendment was made on June 30th,2016. the twelfth amendment is made on June 26th, 2017 and shall be applicable as of the director election of 7th term, <u>the thirteen amendment was made on June 19th, 2020.</u></p>	<p><b>Article 35</b>  The Articles were formulated on June 30th, 2003; the first amendment was made on March 30th,.....,and the tenth amendment was made on June 30th, 2016, the twelfth amendment is made on June 26th, 2017 and shall be applicable as of the director election of 7th term.</p>	<p>Added revision date</p>

**Proposal 2: 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 37 to page 40).
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. Chairperson, Yulon Finance Co., Ltd.</li> <li>4. Director, Yulon Construction Co., Ltd.</li> <li>5. Chairperson, Winsome Co., Ltd.</li> <li>6. Chairperson, Tai-Yuen Textiles Co., Ltd.</li> <li>7. Chairperson, Yung Hong Investment Co., Ltd.</li> <li>8. Chairperson, Yulon Management Co., Ltd.</li> <li>9. Chairperson, Yu-Pong Business Co., Ltd.</li> <li>10. Director, Chun Yuan Investment Co., Ltd.</li> <li>11. Chairperson, Tai-Wen Textiles Co., Ltd.</li> <li>12. Chairperson, Xiang Wei Investment Co., Ltd.</li> <li>13. Chairperson, Sinshing Investment Co., Ltd.</li> <li>14. Chairperson, Yuen Wei Investment Co., Ltd.</li> <li>15. Chairperson, Yun Shueng Investment Co., Ltd.</li> <li>16. Chairperson, Lee Yuan Investment Co., Ltd.</li> <li>17. Chairperson, Ly Pon Investment Co., Ltd.</li> <li>18. Chairperson, Yuan Tuo Investment Co., Ltd.</li> <li>19. Director, Feuille D'or Holdings Inc.</li> <li>20. Director, Yen Tjing Ling Medical Foundation</li> <li>21. Chairperson, Yen Tjing Ling Industrial Development Foundation</li> <li>22. Chairperson, Vivienwu Journalism Award Foundation</li> <li>23. Chairperson, Vivienwu Industrial Development and Promotion Association</li> </ol>

Title	Name	Acting as a Director and/or Managerial Personnel of Another Company
Director	Chen, Kuo-Rong	1. Vice Chairperson, Yulon Motor Co., Ltd. 2. Director, China Motor Co., Ltd. 3. Chairperson, Hwa-Chuan Auto Technology Center Co., Ltd. 4. Vice Chairperson, Yulon Finance Co., Ltd. 5. Director, Tai-Yuen Textiles Co., Ltd. 6. Vice Chairperson, Dongfeng Yulon Motor Co., Ltd. 7. Director, Dong Feng Yulon Motor Sales Co., Ltd. 8. Director, Luxgen (Hangzhou) Motor Sales Co., Ltd. 9. Chairperson, Yi Jan Overseas Investment Co., Ltd. 10. Director, Jetford Inc. 11. Director and CEO, Yulon Management Co., Ltd. 12. Director, Yu Pong Business Co., Ltd. 13. Chairperson, Yulon China Motor Investment Co., Ltd. 14. Director, Yulon China Investment (Hong Kong) Co., Ltd. 15. Director, Yulon Motor Investment (Hong Kong) Co., Ltd. 16. Chairperson, Wen Yang(Samoa) Investment Co., Ltd. 17. Chairperson, Tai Xin(Samoa) Investment Co., Ltd. 18. Chairperson, Qing Yi(Samoa) Investment Co., Ltd. 19. Director, Chun Yuan Investment Co., Ltd. 20. Director, Tai-Wen Textiles Co., Ltd. 21. Director, Yu Xin Investment Co., Ltd. 22. Director, Wen Shen Investment Co., Ltd. 23. Director, Yuen Wei Investment Co., Ltd. 24. Director, Yun Shueng Investment Co., Ltd. 25. Director, Lee Yuan Investment Co., Ltd. 26. Director, Ly Pon Investment Co., Ltd. 27. Director, PAC-LINK MANAGEMENT CORP. 28. Director, Yulon New Energy (Hong Kong) Co., Ltd. 29. Director, Feuille D'or Holdings Inc.



		30. Director, Grand Win Overseas Ltd. 31. Director, Yen Tjing Ling Medical Foundation 32. Director, Yen Tjing Ling Industrial Development Foundation. 33. Director, Vivienwu Journalism Award Foundation.
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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. Chairperson, Luxgen Motor Co., Ltd.</li> <li>3. Director, Yulon Finance Co., Ltd.</li> <li>4. Chairperson, Uni Auto Parts Manufacture Co., Ltd.</li> <li>5. Chairperson, China Ogihara Co., Ltd.</li> <li>6. Chairperson, Yulon Construction Co., Ltd.</li> <li>7. Chairperson, Yu Sing Motor Co., Ltd.</li> <li>8. Chairperson, Yushin Motor Co., Ltd.</li> <li>9. Supervisor, Dongfeng Yulon Motor Co., Ltd.</li> <li>10. Director, Guangzhou Aeolus Automobile Co., Ltd.</li> <li>11. Chairperson, Ding Long Motor Co., Ltd.</li> <li>12. Chairperson, Yulon IT Solutions Co., Ltd.</li> <li>13. Director, Yung Hong Investment Co., Ltd.</li> <li>14. Chairperson, Yulon Tobe Motor Co., Ltd.</li> <li>15. Chairperson, Sin Chi Co., Ltd.</li> <li>16. Director, Yulon China Motor Investment Co., Ltd.</li> <li>17. Director, Yulon Philippines Investment Co., Ltd.</li> <li>18. Director, Yen Tjing Ling Industrial Development Foundation.</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 April 22, 2020, 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 April 22, 2020, 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 : Motoo SATO	
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.