

Stock code: 2227

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

**Handbook of 2021**  
**Annual General Shareholders' Meeting**



Time: July 20, 2021

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

# Table of Contents

<b>I. Procedure</b> .....	1
<b>II. Agenda</b> .....	2
Report Items .....	3
Ratification Items .....	8
Discussion Items .....	31
Election Items .....	38
Other Item.....	40
Extraordinary Motions .....	40
Closure of the Meeting .....	40
<b>III. Appendixes</b>	
1. Articles of Incorporation .....	41
2. Shareholdings of Directors.....	47
3. Rules of Procedure for Shareholders Meeting .....	48
4. Rules for the Election of Directors.....	51

**YULON NISSAN MOTOR CO., LTD.**  
**2021 Annual General Shareholders' Meeting**  
**Meeting Procedure**

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

**YULON NISSAN MOTOR CO., LTD.**  
**2021 Annual General Shareholders' Meeting**  
**Agenda**

Time: Friday, July 20, 2021 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 2020
- (2) 2020 Audit Committee' Report
- (3) To report 2020 Employees' Compensation Distribution.

**4. Ratification Items**

- (1) Adoption of the 2020 Business Report and Financial Statements
- (2) Recognition of 2020 Earnings Distribution

**5. Discussion Items**

- (1) Amendment to "YNM Rules for Election of Directors"
- (2) Amendment to "YNM Rules of Procedures for Shareholders' Meeting"

**6. Elections Items**

Election of 8th term Directors

**7. Others Items**

The Lift on the Prohibition on 8th term Directors from "Concurrently Act as a Director and/or Manager of another company".

**8. Extraordinary Motions**

**9. Closure of the Meeting**

# Report Items

## Item One:

### **The 2020 Business Report**

Business Report

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

Due to the good practice in the pandemic prevention of coronavirus that led to continuous production, manufacturing, and livelihood consumptions, the Directorate General of Budget, Accounting and Statistics released the 2020 economic growth rate as 3.11%, which performance surpassed all developed countries.

Favored by the improvement of the economic environment and new vehicle purchase triggered by the uncertainty of new car purchase policy by the end of the year, the total sales volume for Taiwan's car market in 2020 was 444,000 vehicles, which increased by 4.1% compared with 2019. The sale of made-in-Taiwan vehicle had grown by 5.6%, imported vehicle grown by 2.5%; passenger vehicle declined by 8.3%, commercial vehicle grown by 11.8% and RV vehicle grown by 12.8%.

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

The Company sold 36,200 vehicles in 2020 and representing 4.3% declined with the year of 2019. The marketing share of 8.2%, and representing 0.7% declined with the year of 2019. The operating income amounted to NT\$29.66 billion, the operating profit amounted to NT\$0.30 billion, the net income before tax amounted to NT\$8.16 billion, and the earnings per share after tax was NT\$21.8. The relevant business activities in 2020 are as follows:

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

NISSAN launched the domestic ALL NEW SENTRA in Q4. With the brand-new wild and charming look, sophisticated interior compatible to that of luxurious car models, upgraded smart safety equipment, and superior fuel consumption performance, the sales order for ALL NEW SENTRA in the first month hit 3,000 vehicles and substantially surpassed the previous sales target.

The new-generation NEW JUKE import car was released in the same quarter, appealing with the unstrained new-general English charisma, incorporated with high-tech interior and 1.0 turbine engine. The new release became the most popular model in the market.

##### **2. Corporate Social Responsibility**

To implement the management concept of "Pursue of customer satisfaction, create corporate prosperity and contribute to social welfare," the Company invests resource over the long run and actively fulfill corporate social responsibilities, in order to foster talents for Taiwan's automobile industry. The Company has been recognized by the Ministry of Labor with "2020 National Talent Development Awards.

Apart from holding the largest automobile creative competition, "NISSAN Design Competition" in Taiwan for 15 years in a row since 2005, the Company also sponsored the

INFINITI Engineering Academy - Asia & Oceania Final 2020, NISSAN Warrior Task, Children's Automobile Expert Experience Camp and other activities, which aimed to stimulate students with creativity and foster the potential seeds for the automobile industry. The Company intends to play the benchmark role in the development of national talent fostering, create social value and stride towards sustainable management.

Moreover, the Company has been sponsoring the insurance premium of "Employer Compensation Contract Liability Insurance" for the temporary cleaning workers at the Department of Environmental Production of Taipei City Government since 2004. The insurance provides protection for those nameless heroes who keep Taipei City clean. Over 30,000 people have benefited from this program.

The Company called for all employees of the Company and distributors to participate in book donations for charity. The rebate for books purchased was used in the funds for operating the "Physical and Psychological Restructuring Services for Those with Facial Burns or Other Burns" under Sunshine Social Welfare Foundation.

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 25.311 million vehicles were sold in Mainland China in 2020, representing 1.9% declined over the year of 2019. Of which, a total of 20.178 million (decreased by 6.0%) passenger cars and 5.133 million (increased by 18.7%) commercial vehicles were sold. For Dongfeng Nissan passenger cars, 1.199 million vehicles (decreased by 6.1%).

## **(III) The prospects**

Due to the impact of supply shortage in vehicle chips worldwide, it is estimated that the market will face inadequate utilization of vehicle production in the first half of the year, which will thereby affect the sales momentum. Under adversity, our Company will do our best to work out and maintain stable development of the operation.

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

NISSAN will launch the long-distance driving LEAF electric car by Q4. The battery capacity will expand by 50% compared with the previous model, which can become the best solution for consumers with the need for long-distance driving.

INFINITI launched the all-new Q50 300GT model in Q1: Equipped with the lightweight V6 double turbine engine for high efficiency, appealing the luxury car style through robust performance, racing appearance, quality interior, and high-tech entertainment. At the same time, QX55 SUV Coupe will be introduced before Q4 as an extension of the classic profile of FX luxury SUV, incorporated with VC-TURBO-variable compressor turbo to bring an exceptionally new driving experience for the consumers.

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

NISSAN and INFINITI will continue to boost sales and service quality, improve hardware/software, and adopt innovative IT and fast services to supply consumers with superb products and services.

## **3. Export expansion**

As a result of the global pandemic impact and many countries executed shutdown as well as other policies, the market demand drastically shrunk. The 2020 export revenue for spare parts was US\$70 million. The areas of export include Singapore, Egypt, Japan, Thailand, Indonesia, Philippines, Malaysia, Vietnam, India, South Korea, and countries in the Middle East. In 2021, the Company will initiate to expand in the new export market and meet the demand of existing clients, in order to generate a bigger growing force in revenue.

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

According to the forecast released by the China Association of Automobile Manufacturers, the automobile sales volume in China will hit 26300 thousand vehicles by 2021, which will be up 4% compared to 2020. Under the factors such as a slowing pandemic, adjusted macroeconomics, and consumer policy, the sales volume for Dongfeng Nissan is projected to improve, compared with the 2020 performance, on a conservative basis.

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:

### 2020 Audit Committee' Report

Yulon Nissan Motor Co., Ltd.

#### Audit Committee' Report

The Board of Directors submits the 2020 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:

2021 Regular Shareholders' Meeting of the Company

Yulon Motor Co., Ltd.

Audit Committee Convenor : Jung-Fang Kuo



May 11 , 2021



### **Item Three:**

#### **2020 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\$8,169 thousand dollars.

## **Ratification Items**

### **Proposal 1: Ratification of the 2020 Business Report and Financial Statements.**

**Please ratify.**

(Proposed by the Board of Directors.)

#### **Description:**

1. The compilation of the Company's Fiscal 2020 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 5 and page 9 to page 28 of this handbook for the Fiscal 2020 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, 2020 and 2019, 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, 2020 and 2019, 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 statement for the year ended December 31, 2020 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. 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. 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, 2020. 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.

The key audit matter of the Company's financial statements for the year ended December 31, 2020 is described as follows:

#### Depreciation of Molds and Dies

In accordance with 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 using the unit of production method, and reviews the estimated number of vehicles that are expected to be sold in the future for each vehicle model every six months based on market sales. The estimated number of vehicles to be sold is then used to calculate the amount allocated to each mold and die, and is used as the basis for the depreciation of molds and dies. The depreciation of molds and dies in 2020 was \$542,784 thousand. Since the amount of depreciation of molds and dies is significant and estimates of the units sold are highly dependent on management's judgment, the depreciation of molds and dies is considered to be a key audit matter.

The related accounting policies 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 depreciation process of molds and dies and related control systems, evaluated the design of the controls and tested the operating effectiveness of the controls. We also obtained the information and documents from management which is used as the basis for the estimated number of units of vehicles of each model to be sold in the future and assessed the rationality and reliability of the supporting information. In addition, we took appropriate samples of the transactions of molds and dies and checked them against the original documents and cash flows, performed inventory counts and sent confirmation requests. We also recalculated the amount of depreciation of molds and dies on the basis of estimated production volume and assessed the rationality of the calculated depreciation and the accuracy of the carrying amount of the molds and dies. Moreover, we determined that there was no significant difference between the amended estimated number of units of future sales of vehicles in the previous year's financial statements and the actual number of units sold, and confirmed 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, 2020 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 23, 2021

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, 2020 AND 2019**

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

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 5,334,781	19	\$ 5,051,278	18
Financial assets at fair value through profit or loss (Notes 4 and 7)	626,514	2	1,251,525	5
Notes receivable (Notes 4, 8 and 20)	1,934	-	-	-
Notes receivable - related parties (Notes 4, 20 and 27)	579	-	4,732	-
Trade receivables (Notes 4, 8 and 20)	12,419	-	18,184	-
Trade receivables - related parties (Notes 4, 20 and 27)	389,371	2	426,488	1
Other receivables (Notes 4 and 8)	38,200	-	27,077	-
Other receivables - related parties (Notes 4 and 27)	133,801	1	205,231	1
Prepayments	327	-	1,065	-
Total current assets	<u>6,537,926</u>	<u>24</u>	<u>6,985,580</u>	<u>25</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 10)	17,864,822	64	17,548,758	64
Property, plant and equipment (Notes 4, 5, 11 and 27)	1,929,478	7	1,934,280	7
Right-of-use assets (Notes 4, 12 and 27)	683,655	3	729,943	3
Computer software (Notes 4 and 13)	39,882	-	22,170	-
Deferred tax assets (Notes 4 and 22)	85,881	-	106,927	1
Other non-current assets (Notes 14 and 27)	622,986	2	72,771	-
Total non-current assets	<u>21,226,704</u>	<u>76</u>	<u>20,414,849</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 27,764,630</u>	<u>100</u>	<u>\$ 27,400,429</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4, 20 and 27)	\$ -	-	\$ 33,029	-
Trade payables	16,763	-	21,906	-
Trade payables - related parties (Note 27)	174,944	1	419,332	1
Other payables (Note 15)	855,425	3	924,918	3
Other payables - related parties (Note 27)	182,293	1	178,814	1
Lease liabilities (Notes 4, 12 and 27)	51,616	-	54,190	-
Current tax liabilities (Notes 4 and 22)	978,846	3	706,161	3
Provisions (Notes 4, 5 and 16)	218,982	1	191,241	1
Other current liabilities (Note 17)	4,364	-	4,607	-
Total current liabilities	<u>2,483,233</u>	<u>9</u>	<u>2,534,198</u>	<u>9</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions (Notes 4, 5 and 16)	71,330	-	60,559	-
Lease liabilities (Notes 4, 12 and 27)	630,505	2	670,159	2
Tax liabilities - non-current (Notes 4 and 22)	349,455	1	-	-
Net defined benefit liabilities (Notes 4 and 18)	136,796	1	232,025	1
Deferred tax liabilities (Notes 4 and 22)	2,418,760	9	2,330,164	9
Total non-current liabilities	<u>3,606,846</u>	<u>13</u>	<u>3,292,907</u>	<u>12</u>
Total liabilities	<u>6,090,079</u>	<u>22</u>	<u>5,827,105</u>	<u>21</u>
<b>EQUITY</b>				
Capital stock - NT\$10 par value; authorized - 600,000 thousand stocks; issued and outstanding - 300,000 thousand stocks	<u>3,000,000</u>	<u>11</u>	<u>3,000,000</u>	<u>11</u>
Capital surplus	<u>5,988,968</u>	<u>22</u>	<u>5,988,968</u>	<u>22</u>
Retained earnings				
Legal reserve	6,194,981	22	5,473,169	20
Special reserve	1,270,832	4	1,163,895	4
Unappropriated earnings	<u>6,548,206</u>	<u>24</u>	<u>7,218,124</u>	<u>27</u>
Total retained earnings	<u>14,014,019</u>	<u>50</u>	<u>13,855,188</u>	<u>51</u>
Other equity	<u>(1,328,436)</u>	<u>(5)</u>	<u>(1,270,832)</u>	<u>(5)</u>
Total equity	<u>21,674,551</u>	<u>78</u>	<u>21,573,324</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 27,764,630</u>	<u>100</u>	<u>\$ 27,400,429</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, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)				
Sales (Note 4)	\$ 29,441,044	99	\$ 32,145,186	99
Service revenue (Note 4)	119,075	1	269,315	1
Other operating revenue	<u>100,519</u>	<u>-</u>	<u>84,106</u>	<u>-</u>
Total operating revenue	29,660,638	100	32,498,607	100
OPERATING COSTS (Notes 9, 21 and 27)	<u>25,566,106</u>	<u>86</u>	<u>27,650,385</u>	<u>85</u>
GROSS PROFIT	<u>4,094,532</u>	<u>14</u>	<u>4,848,222</u>	<u>15</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	2,760,434	9	2,481,695	8
General and administrative expenses	395,781	2	353,264	1
Research and development expenses	<u>597,114</u>	<u>2</u>	<u>621,509</u>	<u>2</u>
Total operating expenses	<u>3,753,329</u>	<u>13</u>	<u>3,456,468</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES (Note 21)	<u>289</u>	<u>-</u>	<u>2,491</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>341,492</u>	<u>1</u>	<u>1,394,245</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiary	7,731,128	26	7,572,985	24
Net foreign exchange gain (Note 21)	58,568	-	82,648	-
Gain on financial assets at fair value through profit or loss, net	29,014	-	11,525	-
Interest income (Note 4)	22,048	-	56,633	-
Other revenue (Note 27)	6,923	-	1,892	-
Interest expenses (Note 27)	(14,760)	-	(7,954)	-
Gain (loss) on disposal of investments, net (Note 21)	(5,477)	-	9,815	-
Overseas business expenses (Note 27)	(6,420)	-	(7,069)	-
Other losses	<u>(1,546)</u>	<u>-</u>	<u>(2,453)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,819,478</u>	<u>26</u>	<u>7,718,022</u>	<u>24</u>
PROFIT BEFORE INCOME TAX	8,160,970	27	9,112,267	28
INCOME TAX EXPENSES (Notes 4 and 22)	<u>1,620,032</u>	<u>5</u>	<u>1,830,370</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>6,540,938</u>	<u>22</u>	<u>7,281,897</u>	<u>23</u>

(Continued)



# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (1,364)	-	\$ 13,137	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(20)	-	(51)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 22)	<u>277</u>	<u>-</u>	<u>(2,617)</u>	<u>-</u>
	<u>(1,107)</u>	<u>-</u>	<u>10,469</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of foreign operations	<u>(57,604)</u>	<u>-</u>	<u>(538,677)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(58,711)</u>	<u>-</u>	<u>(528,208)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,482,227</u>	<u>22</u>	<u>\$ 6,753,689</u>	<u>21</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$21.80</u>		<u>\$24.27</u>	
Diluted	<u>\$21.80</u>		<u>\$24.27</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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock	Capital Surplus (Notes 10 and 18)	Retained Earnings (Notes 19)			Other Equity Exchange Differences on the Translation of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	<u>\$ 3,000,000</u>	<u>\$ 6,129,405</u>	<u>\$ 4,884,164</u>	<u>\$ 1,163,895</u>	<u>\$ 6,011,725</u>	<u>\$ (732,155)</u>	<u>\$ 20,457,034</u>
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 (Note 10)	-	(140,437)	-	-	(195,962)	110,189	(226,210)
BALANCE AT DECEMBER 31, 2019	<u>3,000,000</u>	<u>5,988,968</u>	<u>5,473,169</u>	<u>1,163,895</u>	<u>7,218,124</u>	<u>(1,270,832)</u>	<u>21,573,324</u>
Appropriation of 2019 earnings							
Legal reserve	-	-	721,812	-	(721,812)	-	-
Special reserve	-	-	-	106,937	(106,937)	-	-
Cash dividends distributed by the Company - NT\$21.27 per share	-	-	-	-	(6,381,000)	-	(6,381,000)
	-	-	721,812	106,937	(7,209,749)	-	(6,381,000)
Net profit for the year ended December 31, 2020	-	-	-	-	6,540,938	-	6,540,938
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(1,107)	(57,604)	(58,711)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,539,831	(57,604)	6,482,227
BALANCE AT DECEMBER 31, 2020	<u>\$ 3,000,000</u>	<u>\$ 5,988,968</u>	<u>\$ 6,194,981</u>	<u>\$ 1,270,832</u>	<u>\$ 6,548,206</u>	<u>\$ (1,328,436)</u>	<u>\$ 21,674,551</u>

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,160,970	\$ 9,112,267
Adjustments for:		
Depreciation expenses	630,998	488,296
Amortization expenses	25,877	10,183
Gain on financial assets at fair value through profit or loss, net	(29,014)	(11,525)
Interest expense	14,760	7,954
Interest income	(22,048)	(56,633)
Share of the profit of subsidiary	(7,731,128)	(7,572,985)
Gain on disposal of property, plant and equipment, net	(289)	(2,491)
Loss (gain) on disposal of investment, net	5,477	(9,815)
Net foreign exchange gain	(134,789)	(118,652)
Recognition of inventory purchase commitments	11,177	10,797
Warranty costs	186,235	127,708
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	648,548	(905,056)
Notes receivable	(1,934)	-
Notes receivable - related parties	4,153	(4,219)
Trade receivables	5,765	13,156
Trade receivables - related parties	37,080	297,735
Other receivables	(13,049)	26,243
Other receivables - related parties	71,430	(28,916)
Prepayments	738	1,446
Contract liabilities	(33,029)	(40,011)
Trade payables	(65,743)	(124,888)
Trade payables - related parties	(304,007)	(343,433)
Other payables	(69,493)	(56,188)
Other payables - related parties	3,479	(194,000)
Other current liabilities	(243)	(72)
Provisions	(158,900)	(136,218)
Net defined benefit liabilities	(96,593)	(84,719)
Cash generated from operations	1,146,428	405,964
Interest paid	(14,760)	(7,954)
Income tax paid	(887,973)	(1,341,737)
Net cash generated from (used in) operating activities	<u>243,695</u>	<u>(943,727)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	7,357,440	5,393,130
Interest received	23,973	59,415
Payments for property, plant and equipment (Note 24)	(465,919)	(736,811)
Proceeds from disposal of property, plant and equipment	476	5,571
Payments for computer software (Note 24)	(11,958)	(7,201)
Increase (decrease) in refundable deposits	(562,372)	92,951
Net cash generated from investing activities	<u>6,341,640</u>	<u>4,807,055</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (55,658)	\$ (53,613)
Payments of dividends	<u>(6,381,000)</u>	<u>(5,301,000)</u>
Cash used in financing activities	<u>(6,436,658)</u>	<u>(5,354,613)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>134,826</u>	<u>118,580</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	283,503	(1,372,705)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,051,278</u>	<u>6,423,983</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,334,781</u>	<u>\$ 5,051,278</u>

(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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 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. 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. 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, 2020. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows:

#### Depreciation of Molds and Dies

In accordance with 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 using the unit production method, and reviews the estimated number of vehicles that are expected to be sold in the future for each vehicle model every six months based on market sales. The estimated number of vehicles to be sold is then used to calculate the amount allocated to each mold and die, and is used as the basis for the depreciation of molds and dies. The depreciation of molds and dies in 2020 was \$542,784 thousand. Since the amount of depreciation of molds and dies is significant and estimates of the 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 policies 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 depreciation process of molds and dies and related control systems, evaluated the design of the controls and tested the operating effectiveness of the controls. We also obtained the information and documents from management which is used as the basis for the estimated number of units of vehicles of each model to be sold in the future and assessed the rationality and reliability of the supporting information. In addition, we took appropriate samples of the transactions of molds and dies and checked them against the original documents and cash flows, performed inventory counts and sent confirmation requests. We also recalculated the amount of depreciation of molds and dies on the basis of estimated production volume and assessed the rationality of the calculated depreciation and the accuracy of the carrying amount of the molds and dies. Moreover, we determined that there was no significant difference between the amended estimated number of units of future sales of vehicles in the previous year's consolidated financial statements and the actual number of units sold, 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, 2020 and 2019 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, 2020 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 audits resulting in this independent auditors' report are Wan-I Liao and Cheng-Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2021

#### 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, 2020 AND 2019

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

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 6,967,038	25	\$ 8,585,354	30
Financial assets at fair value through profit or loss (Notes 4 and 7)	626,514	2	1,251,525	4
Notes receivable (Notes 4, 8 and 21)	1,934	-	-	-
Notes receivable - related parties (Notes 4, 21 and 28)	579	-	4,732	-
Trade receivables (Notes 4, 8 and 21)	12,419	-	18,184	-
Trade receivables - related parties (Notes 4, 21 and 28)	389,371	1	426,488	1
Other receivables (Notes 4 and 8)	40,209	-	4,294,353	15
Other receivables - related parties (Notes 4 and 28)	123,638	1	202,499	1
Prepayments	137,391	1	213,973	1
Total current assets	<u>8,299,093</u>	<u>30</u>	<u>14,997,108</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 11)	16,103,655	58	10,708,207	38
Property, plant and equipment (Notes 4, 5, 12 and 28)	1,929,478	7	1,934,280	7
Right-of-use assets (Notes 4, 13 and 28)	683,655	3	729,943	3
Computer software (Notes 4 and 14)	39,882	-	22,170	-
Deferred tax assets (Notes 4 and 23)	85,881	-	106,927	-
Other non-current assets (Notes 15 and 28)	622,986	2	72,771	-
Total non-current assets	<u>19,465,537</u>	<u>70</u>	<u>13,574,298</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 27,764,630</u>	<u>100</u>	<u>\$ 28,571,406</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4, 21 and 28)	\$ -	-	\$ 33,029	-
Trade payables	16,763	-	21,906	-
Trade payables - related parties (Note 28)	174,944	1	419,332	1
Other payables (Note 16)	855,425	3	2,095,895	7
Other payables - related parties (Note 28)	182,293	1	178,814	1
Lease liabilities (Notes 4, 13 and 28)	51,616	-	54,190	-
Current tax liabilities (Notes 4 and 23)	978,846	3	706,161	3
Provisions (Notes 4, 5 and 17)	218,982	1	191,241	1
Other current liabilities (Note 18)	4,364	-	4,607	-
Total current liabilities	<u>2,483,233</u>	<u>9</u>	<u>3,705,175</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions (Notes 4, 5 and 17)	71,330	-	60,559	-
Lease liabilities (Notes 4, 13 and 28)	630,505	2	670,159	2
Tax liabilities - non-current (Notes 4 and 23)	349,455	1	-	-
Net defined benefit liabilities (Notes 4 and 19)	136,796	1	232,025	1
Deferred tax liabilities (Notes 4 and 23)	2,418,760	9	2,330,164	8
Total non-current liabilities	<u>3,606,846</u>	<u>13</u>	<u>3,292,907</u>	<u>11</u>
Total liabilities	<u>6,090,079</u>	<u>22</u>	<u>6,998,082</u>	<u>24</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	11
Capital surplus	5,988,968	22	5,988,968	21
Retained earnings				
Legal reserve	6,194,981	22	5,473,169	19
Special reserve	1,270,832	4	1,163,895	4
Unappropriated earnings	6,548,206	24	7,218,124	25
Total retained earnings	<u>14,014,019</u>	<u>50</u>	<u>13,855,188</u>	<u>48</u>
Other equity	(1,328,436)	(5)	(1,270,832)	(4)
Total equity	<u>21,674,551</u>	<u>78</u>	<u>21,573,324</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 27,764,630</u>	<u>100</u>	<u>\$ 28,571,406</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 28)				
Sales (Note 4)	\$ 29,441,044	99	\$ 32,145,186	99
Service revenue (Note 4)	119,075	1	269,315	1
Other operating revenue	<u>100,519</u>	<u>-</u>	<u>84,106</u>	<u>-</u>
Total operating revenue	29,660,638	100	32,498,607	100
OPERATING COSTS (Notes 9, 22 and 28)	<u>25,566,106</u>	<u>86</u>	<u>27,650,385</u>	<u>85</u>
GROSS PROFIT	<u>4,094,532</u>	<u>14</u>	<u>4,848,222</u>	<u>15</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	2,760,434	9	2,481,695	8
General and administrative expenses	437,914	2	383,020	1
Research and development expenses	<u>597,114</u>	<u>2</u>	<u>621,509</u>	<u>2</u>
Total operating expenses	<u>3,795,462</u>	<u>13</u>	<u>3,486,224</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 28)	<u>289</u>	<u>-</u>	<u>2,491</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>299,359</u>	<u>1</u>	<u>1,364,489</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates	7,283,908	25	7,511,291	23
Net foreign exchange gain (loss) (Note 22)	453,071	1	(277,773)	(1)
Interest income (Note 4)	116,898	-	112,800	1
Gain on financial assets at fair value through profit or loss, net	29,014	-	11,525	-
Other revenue (Note 28)	6,923	-	1,892	-
Interest expenses (Note 28)	(14,760)	-	(7,954)	-
Overseas business expenses (Note 28)	(6,420)	-	(7,069)	-
Gain (loss) on disposal of investments, net (Notes 11, 22 and 28)	(5,477)	-	405,519	1
Other losses (Note 28)	<u>(1,546)</u>	<u>-</u>	<u>(2,453)</u>	<u>-</u>
Total non-operating income and expenses	<u>7,861,611</u>	<u>26</u>	<u>7,747,778</u>	<u>24</u>
PROFIT BEFORE INCOME TAX	8,160,970	27	9,112,267	28
INCOME TAX EXPENSES (Notes 4 and 23)	<u>1,620,032</u>	<u>5</u>	<u>1,830,370</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>6,540,938</u>	<u>22</u>	<u>7,281,897</u>	<u>23</u>

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	\$ (1,364)	-	\$ 13,137	-
Share of other comprehensive loss of associates accounted for using the equity method (Note 11)	(20)	-	(51)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>277</u>	<u>-</u>	<u>(2,617)</u>	<u>-</u>
	<u>(1,107)</u>	<u>-</u>	<u>10,469</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of foreign operations	<u>(57,604)</u>	<u>-</u>	<u>(538,677)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(58,711)</u>	<u>-</u>	<u>(528,208)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,482,227</u>	<u>22</u>	<u>\$ 6,753,689</u>	<u>21</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 6,540,938</u>	<u>22</u>	<u>\$ 7,281,897</u>	<u>22</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 6,482,227</u>	<u>22</u>	<u>\$ 6,753,689</u>	<u>21</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$21.80</u>		<u>\$24.27</u>	
Diluted	<u>\$21.80</u>		<u>\$24.27</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, 2020 AND 2019**

(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 the Translation of Foreign Operations	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2019	\$ 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 the 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 the 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
Appropriation of 2019 earnings							
Legal reserve	-	-	721,812	-	(721,812)	-	-
Special reserve	-	-	-	106,937	(106,937)	-	-
Cash dividends distributed by the Company - NT\$21.27 per share	-	-	-	-	(6,381,000)	-	(6,381,000)
	-	-	721,812	106,937	(7,209,749)	-	(6,381,000)
Net profit for the year ended December 31, 2020	-	-	-	-	6,540,938	-	6,540,938
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(1,107)	(57,604)	(58,711)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,539,831	(57,604)	6,482,227
BALANCE AT DECEMBER 31, 2020	\$ 3,000,000	\$ 5,988,968	\$ 6,194,981	\$ 1,270,832	\$ 6,548,206	\$ (1,328,436)	\$ 21,674,551

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,160,970	\$ 9,112,267
Adjustments for:		
Depreciation expenses	630,998	488,296
Amortization expenses	25,877	10,183
Gain on financial assets at fair value through profit or loss, net	(29,014)	(11,525)
Interest expense	14,760	7,954
Interest income	(116,898)	(112,800)
Share of profit of associates	(7,283,908)	(7,511,291)
Gain on disposal of property, plant and equipment, net	(289)	(2,491)
Loss (gain) on disposal of investment, net	5,477	(405,519)
Net foreign exchange loss	551,676	530,185
Recognition of inventory purchase commitments	11,177	10,797
Warranty costs	186,235	127,708
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	648,548	(905,056)
Notes receivable	(1,934)	-
Notes receivable - related parties	4,153	(4,219)
Trade receivables	5,765	13,156
Trade receivables - related parties	37,080	297,663
Other receivables	(13,049)	26,242
Other receivables - related parties	78,861	(32,545)
Prepayments	738	1,446
Contract liabilities	(33,029)	(40,011)
Trade payables	(65,743)	(124,888)
Trade payables - related parties	(304,007)	(343,433)
Other payables	(69,493)	(56,188)
Other payables - related parties	3,479	(194,000)
Other current liabilities	(243)	(72)
Provisions	(158,900)	(136,218)
Net defined benefit liabilities	<u>(96,593)</u>	<u>(84,719)</u>
Cash generated from operations	2,192,694	660,922
Interest paid	(14,760)	(7,954)
Income tax paid	<u>(1,523,664)</u>	<u>(1,554,645)</u>
Net cash generated from (used in) operating activities	<u>654,270</u>	<u>(901,677)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	6,217,871	7,421,541
Interest received	122,705	111,159
Payments for property, plant and equipment (Note 25)	(465,919)	(736,811)
Proceeds from disposal of property, plant and equipment	476	5,571
Proceeds from disposal of investment properties	-	1,119,861
Increase (decrease) in refundable deposits	(562,372)	92,951

(Continued)

# YULON NISSAN MOTOR COMPANY, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Payments for computer software (Note 25)	\$ (11,958)	\$ (7,201)
Decrease in other payables (Note 25)	<u>(1,170,977)</u>	<u>-</u>
Net cash generated from investing activities	<u>4,129,826</u>	<u>8,007,071</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	(55,658)	(53,613)
Payments of dividends	<u>(6,381,000)</u>	<u>(5,301,000)</u>
Cash used in financing activities	<u>(6,436,658)</u>	<u>(5,354,613)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>34,246</u>	<u>(208,607)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,618,316)	1,542,174
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>8,585,354</u>	<u>7,043,180</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 6,967,038</u>	<u>\$ 8,585,354</u>

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

**Proposal 2: Recognition of 2020 Earnings Distribution.**

(Proposed by the Board of Directors.)

Description :

1. Based on the audited 2020 financial statement, YNM presents 2020 earnings distribution statement as page 30.
2. According to earnings distribution statement, YNM proposes to distribute NT\$18.53 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 11, 2021. 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 7, 2021 to August 11, 2021. The payment date will be set on Sep. 3, 2021. If the date of cash dividends distribution is affected by COVID-19 in the future, the Chairperson will be authorized to adjust the relevant date.
3. Request to resolve.

Resolved:

## YULON NISSAN MOTOR CO., LTD.

### 2020 Earnings Distribution Statement

Unit: NT dollar

Item	Sub-total	Total
Beginning retained earnings		8,376,406
Less: Adjustment arising from investments accounted for using equity method		(20,196)
Add: Remeasurement of defined benefit plans		(1,087,249)
2020 Adjusted undistributed earnings (excluded net income)		7,268,961
2020 Net income after tax	6,540,938,495	
Less: Legal reserves	(653,983,105)	
Less: Special reserves	(57,604,586)	
Less: Distribution of shareholders dividends (Cash dividends \$18.53 per share)	(5,559,000,000)	270,350,804
Ending Undistributed Earnings		277,619,765

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 " YNM Rules for Election of Directors".**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. Complied with the requirements under the notice letter No. 1090009468, the Company's "YNM Rules for Election of Directors" shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 32 to page 33).
2. Request to resolve.

Resolution:

## Comparison Table for the “YNM Rules for Election of Directors”

After the revision	Before the revision	Description
<p><b>Article 6</b></p>	<p><b>Article 6</b>  <del>If the candidate is a shareholder, the ballot must be filled in the candidate’s account name or shareholder’s account number in the “candidate” column; if the candidate not a shareholder, it should be filled in the candidate’s name and identification number.</del>                      However, when a legal person shareholder is the candidate, the name of the legal person should be entered in the account of the candidate in the ballot, and the name of the legal person and the name of its representative may also be entered; when there are several representatives, the representatives should be added separately Name.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1090009468 which issued by MOEA.</p>
<p><b>Article 6</b>                      The votes of directors shall be voted separately based on the election of independent directors and non-independent directors.</p>	<p><b>Article 6-1</b>                      The votes of directors shall be voted separately based on the election of independent directors and non-independent directors.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1090009468 which issued by MOEA.</p>
<p><b>Article 7</b>                      A ballot is invalid under any of the following circumstances:                      1. The ballot was not prepared by a person with the right to convene.                      2. A blank ballot is placed in the ballot box.                      3. The writing is unclear and indecipherable or has been altered.                      4. The candidate whose name is entered in the ballot does not conform to the <u>director candidate list</u>.</p>	<p><b>Article 7</b>                      A ballot is invalid under any of the following circumstances:                      1. The ballot was not prepared by the board of directors of the company.                      2. A blank ballot is placed in the ballot box.                      3. The writing is unclear and indecipherable or has been altered.                      4. <del>If the candidate is a shareholder whose name is entered in the ballot, the shareholder’s registered name, the shareholder’s account number and shareholder’s register does not conform to the information. If the candidate is not a shareholder whose name is entered in the ballot, its</del></p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1090009468 which issued by MOEA.</p>

After the revision	Before the revision	Description
<p>5. Other words or marks are entered in addition to the number of voting rights allotted.</p> <p>6. Fill in 2 candidates or more than 2 candidates on the same ballot.</p>	<p><del>name and identification number does not conform to the information.</del></p> <p>5. Other words or marks are entered in addition to <del>the account name (name) or shareholder account number (identification number)</del> and the number of voting rights allotted.</p> <p>6. <del>There is not filled in the account name (name) or shareholder account number (identification number) of the candidate.</del></p> <p>7. Fill in 2 candidates or more than 2 candidates on the same ballot.</p> <p>8. <del>The name of the candidate filled in is the same as that of other shareholders, but no shareholder account number or identification number can be identified.</del></p>	
<p><b>Article 12</b> The Rules shall be implemented after being resolved by the shareholders' meeting, and the same shall apply when amended. These Rules were established on March 30, 1994. The first amendment was on June 22, 1997. The second amendment was on June 26, 2017 starting from the seventh election of directors. <u>The third amendment was applied on July 20, 2021 starting from the eighth election of directors.</u></p>	<p><b>Article 12</b> The Rules shall be implemented after being resolved by the shareholders' meeting, and the same shall apply when amended. These Rules were established on March 30, 1994. The first amendment was on June 22, 1997. The second amendment was on June 26, 2017 starting from the seventh election of directors.</p>	<p>Add revision date</p>

**Proposal 2: Amendment to “YNM Rules of Procedures for Shareholders’ Meeting”.**  
**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

1. Complied with the requirements under the notice letter No. 1100001446, the Company’s “YNM Rules of Procedures for Shareholders” shall be amended accordingly to conform to the relevant business operations. Please refer to the comparison table as attached hereto (from page 35 to page 37).
2. Request to resolve.

Resolution:

## Comparison Table for the “YNM Rules of Procedures for Shareholders’ Meeting”

After the revision	Before the revision	Description
<p><b>Article 3</b> The chair shall call the meeting to order at the appointed meeting time, <u>and announce the number of shares of the attendance and no voting power.</u> However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, <u>the chair shall declare the meeting adjourned.</u> <u>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.</u></p>	<p><b>Article 6</b> However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares,, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1100001446 which issued by MOEA.</p>
<p><b>Article 5</b> Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (<u>or attendance card number</u>), and <u>account name</u>. The order in which shareholders speak will be set by the chair.</p>	<p><b>Article 5</b> Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number, and name. The order in which shareholders speak will be set by the chair.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1100001446 which issued by MOEA.</p>

After the revision	Before the revision	Description
<p><b>Article 9</b> During the discussion of the motions, the Chair may announce the end of discussion at his/her discretion and proceed for voting, <u>and schedule sufficient time for voting.</u>, or, may have the discussion suspended if necessary.</p>	<p><b>Article 9</b> During the discussion of the motions, the Chair may announce the end of discussion at his/her discretion and proceed for voting, or, may have the discussion suspended if necessary.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1100001446 which issued by MOEA.</p>
<p><b>Article 10</b> Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. <u>Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The calculation of the shareholder voting rights shall be followed relevant laws and regulations. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p>	<p><b>Article 10</b> Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. <del>The validity of voting and consultation by Chair without any opposition raised by shareholders is the same.</del></p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1100001446 which issued by MOEA.</p>

After the revision	Before the revision	Description
<p><b>Article 16:</b> The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. <u>Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</u></p>	<p><b>Article 16:</b> The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.</p>	<p>Complies with the amendment of Article 162 in Company Act. From No. 1100001446 which issued by MOEA.</p>
<p><b>Article 21:</b> The Procedures was regulated on March 30, 2004 ; the first amendment was made on June 30th, 2015; <u>the second amendment was made on July 20th, 2021.</u></p>	<p><b>Article 21:</b> The Procedures was regulated on March 30, 2004 ; the first amendment was made on June 30th, 2015</p>	<p>Add revision date</p>

## **Election Items**

### **Election of the 8th directors**

(Proposed by the Board of Directors.)

Explanation:

1. The term of office of the 7th term of Directors (including independent directors) shall expire on June. According to article 195 of the company law an election of the 8th term of eleven Directors (include three Independent Directors) shall be conducted, whose term of office shall be effective from July 20, 2021 to July 19, 2024.
2. According to Article 20 of the Articles of Incorporation, the election of the Directors shall adopt candidate nomination system. The candidate nomination list has been reviewed by the Board of Directors with qualification on May 11, 2021, which education, experience and other information can be referred to from page 39.
3. Please proceed with the election.

Election results:



## Director Candidates List

Shareholder No. or ID card No.	Name of corporate entity and number of shares held	Name of representative and No. of shares held		Representative's education /career background
000000001	Yulon Motor Co., Ltd. Shares held: 143,500,000 shares	Director	Yen Chen, Li Lien Shares held: 0 shares	Bachelor, Physical Education, Chinese Culture University Chairperson of Yulon Motor Co., Ltd. (Current position)
			Chen-Hsiang Yao Shares held: 0 shares	Master, International Business Administration, Curtin University President & Director of Yulon Motor Co., Ltd. (Current position)
			Wen-Rong Tsay Shares held: 0 shares	Master, Business Administration, National Chia Tung University President of Yulon Nissan Motor Co., Ltd. (Current position)
			Leman C.C. Lee Shares held: 1,000 shares	Bachelor, Mechanical Engineering, National Taiwan University Vice Chairperson of Yulon Finance Co., Ltd. (Current position)
		Independent Director	Yun-Hua Yang Shares held: 0 shares	Doctor of Laws of Eberhard Karls Universität in Tübingen Professor of National Chengchi University (Current position)
			Hung-Wen Chang Shares held: 0 shares	Doctor of Philosophy, National Taipei University Director of UltraChips Inc.
000000002	Nissan Motor Co., Ltd. Shares held: 120,000,000 shares	Director	Hideki KIMATE Shares held: 0 shares	Bachelor, Department of Law, Faculty of Law, Sophia University VP, China Department, Nissan Motor Co., Ltd. (Current position) President, Nissan (China) Investment Co., Ltd. (Current position)
			Atsushi KUBO Shares held: 0 shares	Bachelor, Department of Political Science and Economics, Waseda University, Japan. General Manager of China Department, Nissan Motor Co., Ltd. and Director, Zhengzhou Nissan Auto Co., Ltd. (Current position) Director, Zhengzhou Nissan Auto Co., Ltd. (Current position)
			Atsuo TANAKA Shares held: 0 shares	Bachelor, Department of Mechanical Engineering, Faculty of Engineering, Tokyo University, Japan. Senior Vice President of Yulon Nissan Motor Co., Ltd. (Current position)
			Motoo SATO Shares held: 0 shares	Bachelor, Department of Jurisprudence, Faculty of Law, Meiji Gakuin University, Japan. Vice President of Yulon Nissan Motor Co., Ltd. (Current position)
		Independent Director	Jung-Fang Kuo Shares held: 0 shares	EMBA of National Taiwan University Senior Accountant of Deloitte & Touche

## **Other Items**

**Proposal 1: The Lift on the Prohibition on 8th Directors from “Concurrently Act as a Director and/or Manager of another company”.**

**Please proceed to discuss.**

(Proposed by the Board of Directors.)

Explanation:

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

Resolution:

## **Extraordinary Motions**

## **Closure of the Meeting**

## Appendix 1:

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

## Chapter 1 General Provisions

- Article 1 The Company is incorporated in accordance with “Company Limited by Shares” of Company Act and named as “Yulon Nissan Motor Co., Ltd.”
- Article 2 The scope of business of the Corporation shall be as follows:
1. I501010 Product design business.
  2. CD01030 Automotive and parts manufacturing business.
  3. F114010 Automotive wholesale business.
  4. F214010 Automotive retail business.
  5. CQ01010 Mold manufacturing business.
  6. F106030 Mold wholesale business.
  7. F206030 Mold retail business.
  8. F114030 Automotive and motorcycle parts and accessories wholesale business.
  9. F214030 Automotive and motorcycle parts and accessories retail business.
  10. JA01010 Automotive repair business.
  11. JA01990 Other automotive service business (vehicle decoration).
  12. JA01020 Automotive towing business.
  13. F401010 International trade business.
  14. E701030 Installation engineering of telecommunication control and radio equipment business.
  15. I103010 Enterprise management consulting business.
  16. I401010 General advertising service business.
  17. F113070 Telecommunication equipment wholesale business.
  18. F213060 Telecommunication equipment retail business.
  19. ZZ99999 Other than permitted business, business not prohibited or restricted by Laws.
- Article 3 In order to achieve the goal of diversification, the Company’s reinvestment to other companies may exceed forty percent of the Company’s paid-up capital.
- Article 4 The Company may make guarantee for business necessity.
- Article 5 The Company's headquarters is located in Miaoli County and the Company may establish branches in the appropriate domestic and abroad locations.
- Article 6 Public announcements of the Company shall be advertised at visual areas of the daily newspapers published in the region where the Company’s headquarters resides, unless otherwise specified in the Company Act and other relevant rules and regulations.

## Chapter 2 Shares

- Article 7 The total capital stock of the Company shall be in the amount of 6,000,000,000 New Taiwan Dollars, divided into 600,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments. The first installment of 300,000,000 shares was issued upon the establishment of the Company, a total of 3,000,000,000 New Taiwan Dollars.

- Article 8 The Company's share certificates shall be numbered, signed by or sealed with stamps of the director representing the company, and certified by the bank which is competent to certify shares 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 surplus profit (The 'surplus profit' refers to the net income plus the amounts of the current retained earnings adjustments which are not counted in the 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 at the beginning of the year 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 th , 2017 and shall be applicable as of the director election of 7th term, the thirteen amendment was made on June 19th, 2020.



**Appendix 2:****Shareholdings of Directors**

1. As of April 28, 2021, 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	263,501,000

2. As of April 28, 2021, 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	143,501,000
Director	Yulon Motor Co., Ltd. Representative : Chen-Hsiang Yao	
Director	Yulon Motor Co., Ltd. Representative : Wen-Rong Tsay	
Director	Yulon Motor Co., Ltd. Representative : Leman C.C. Lee	
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.

## **Appendix4:**

### **Yulon Nissan Motor Co., Ltd. Rules for the Election of Directors**

Stipulated on March 30, 2004

- Article 1 : The election of the Company's directors, unless otherwise provided by the law and regulations and the Company's Article of Incorporation, is to be processed in accordance with the "Rules for the Election of Directors."
- Article 2: For the Company's election of directors is handled in accordance with the ballot cumulative suffrage system and each stock share contains the suffrage equivalent to the number of directors to be elected, which can be casted to one or more than one candidate.
- Article 3: The board of directors is to have the ballots printed, which should be equivalent to the number of directors. The ballots should be prepared with the votes of suffrage noted before distributing to the shareholders at the meeting.
- Article 4: The Chairman is to have several ballot inspectors and tellers who are also shareholders designated before the beginning of the election to perform the election.
- Article 5: The board of directors is to have the ballot boxes prepared for the election of directors; also, the ballot boxes should be inspected publicly by the ballot inspectors.
- Article 6: If the candidates are shareholders, the voters must have the account number and name of the candidates noted in the "candidate" column of each ballot. If the candidates are not shareholders, the "candidate" column on the ballot must be detailed with the name and identity document number of the candidates. However, if the candidates are institutional shareholders, the name of the juristic person must be detailed in the "candidate" column on each ballot, or the name of the juristic person and its representative. If there is more than one representative appointed, the name of all the representatives must be listed separately.
- Article 6.1: The election of directors and independent directors is held at the same time with the votes counted and candidates elected separately.
- Article 7: Ballots are invalid in any of the following circumstances:
1. Ballot that is not prepared by the board of directors;
  2. Blank ballot that is casted in the ballot box;
  3. Unidentifiable ballot due to illegible or incomplete corrections;
  4. The account name and shareholder's account number of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.
  5. Ballot contains not only the candidate's account name (name), shareholder account number (ID card number), and the votes of suffrage, but also other unauthorized information.
  6. Ballot without the information of the candidate's account name (Name) or shareholder's account number (ID Card Number);
  7. Ballot contains the name of two or more than two candidates.
  8. The name of the voted candidate is same as other shareholder but failed to state the candidate's shareholder account number or ID card number for identification.

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

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

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

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

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

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

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