



Stock Code: 2201

## 2018 Annual Shareholder's Meeting Agenda Handbook

Date: June 15, 2018

Location: 1F, No. 3, Sec. 3, Chung Hsing Road,  
Xindian District, New Taipei City  
(The Dome Theater at Auto Mall)



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

## **2018 Annual Shareholder's Meeting Agenda**

**Meeting Time:** 9:00am on June 15, 2018 (Thursday)

**Meeting Place:** 1F, No. 3, Sec. 3, Chung Hsing Road, Xindian District, New Taipei City  
(The Dome Theater at Auto Mall)

- Meeting Agenda:**
- I. Call the Meeting to Order
  - II. Chairman's Address
  - III. Reporting Items:
    1. The 2017 Business Report and Prospect.
    2. The 2017 Audit Committee' Report.
    3. The 2017 Distribution of Employees' and Directors' Remuneration.
    4. The Status of Endorsement and Guarantee.
  - IV. Acknowledgements:
    1. Acknowledge the 2017 Financial Statements.
    2. Acknowledge the 2017 Earnings Distribution.
  - V. Discussions:
    1. Amendments to the Company's "Procedures for Endorsements and Guarantees."
  - VI. Elections:
    1. By-election of the 15th-term independent director of the Company.
  - VII. Other Motions:
    1. Release the Prohibition of the New Independent Director from Participation in Competitive Business.
  - VIII. Extemporary Motions
  - IX. Meeting Adjournment

## Reporting Items

### I. The 2017 Business Report and Prospect



Dear Shareholders, welcome to the 2018 annual shareholders' meeting of Yulon Motor Co., Ltd.

A total of 440,000 vehicles were sold last year, hitting a record high in recent 12 years. Looking to 2018, Yulon will continuously develop and manufacture new models in line with the global trend of energy saving and carbon reduction and the regulations governing fuel consumption and emissions. With the efforts made by all employees. The summary of operational performance last year is as follows:

#### I. Sales profit:

The Company had sold a total of 57,611 branded vehicles. In terms of operating profit, the total operating income last year was NT\$36.093 billion, the operating profit was NT\$1.847 billion, the net non-operating income was NT\$0.473 billion, the net income before tax was NT\$2.32 billion, and the EPS was NT\$1.56 per share which is 71% higher than last year.

#### II. The development of Luxgen brand:

LUXGEN S3 was awarded the Best Domestic Small Car in the 2017 Car of the Year Awards Taiwan. V7 TURBO ECO HYPER was awarded Silver in the 25th Taiwan Excellence Award. U5 SUV, the 100,000th model of LUXGEN, was officially launched in August 2017, laying a new milestone for Yulon's brands. U5 went through an impact test in IDIADA, Spain and passed NCAP, the severest vehicle safety standard, leading domestically manufactured cars further toward compliance with international safety standards. This also connected the automotive research and development in Taiwan with international automobile manufacturers.

Mr. Kazutoshi Mizuno joined LUXGEN's R&D team in 2014. By integrating global automobile technologies with the race track development in Autopolis, CEC (Taiwan), and ARTC, he has developed and launched U6 GT/GT220 in November 2017. As Taiwan's only automotive brand, LUXGEN demonstrated the one-touch parking, race track development, and customized services for pets in 2018 Taipei International Auto Show to meet customers' needs. The sales of LUXGEN are expected to reach 25,000 in 2018.

#### III. Expansion of Chinese market:

In 2017, 28.88 million automobiles were sold in China. In 2018, the sales are expected to reach 29.98 million. The sales of SUV grew significantly by 11%. In 2017,

LUXGEN integrated the personnel, sales channels and product innovation and announced the LUXGEN 510 Program, which aims to launch 10 models within 5 years. Awarded Leapfrog Smart SUV of the Year in 2018 New Model Rating, U5 SUV was launched in October 2017. In Auto China 2018 held in April, a heavyweight concept car will be announced to improve the overall sales of products. The sales in 2018 are expected to exceed 17,204 last year.

#### **IV. Promotion of environmentally friendly new energy vehicles:**

In response to increasingly serious PM2.5 and environmental pollution and the global trend of energy saving and carbon reduction, Yulon has actively developed electric vehicles. Currently, 280 MPV EVs have been put into trial operation across Taiwan; LUXGEN also provided 22 LUXGEN S3 EV<sup>+</sup>s for 2017 EcoMobility World Festival for concierge and free rides of the public. Making great improvement in endurance and charging time, LUXGEN-developed U5 EV was launched in 2018 Taipei International Auto Show to bring a driving experience completely different from that of fuel vehicles.

Currently, Yulon has built 531 charging piles across Taiwan ahead of other automobile manufacturers. Yulon also helped Taichung City Government build a low-carbon, smart underground parking lot in Shuinan Economic and Trade Park and provided 98 charging parking spaces with charging piles for electric vehicles, making this parking lot Taiwan's largest charging station for electric vehicles.

#### **V. Activating the use of assets:**

Integrated with the concept of the automotive industry, Yulon Town in Xindian is expected to deliver the innovative value of real estate and bring an amazing life experience to consumers. The construction of the base of a Phase II commercial area commenced in October 2017. The contractor will be decided in the third quarter of 2018, and the sales schedule will be set based on the market situation.

#### **VI. Implementing corporate social responsibility:**

In response to the aging society and the increase in people with disabilities, LUXGEN launched V7 Turbo Eco Hyper and worked with OurCityLove to publish 9453, Taiwan's first magazine featuring barrier-free family travel, in December 2017. Yulon worked with Carplus and accessible taxies to provide V7 drivers for accessible travel.

Yulon was awarded by Ministry of Economic Affairs Silver in 2017 Energy Saving Benchmarking Award. Yulon was the only award-winning automobile manufacturer; in addition, Yulon was awarded by Ministry of Labor Work Life Balance Award, and was Taiwan's only automobile manufacturer that won Work Autonomy and Achievement and Family Care and Support at the same time.

To promote the spirit of car makers in Taiwan, Yulon organized the first Carmakathon to encourage young people to propose creative solutions for automobiles in Taiwan. A million will be granted in total. Since 2011, Yulon has donated 21 LUXGENs to universities and colleges to strengthen the industry-academia cooperation for the automotive industry in Taiwan.

## VII. Strengthening community care:

The “Employer Liability Insurance” premium has been donated to the part-time janitors of the Department of Environmental Protection, Taipei City Government for 19 years consecutively. The “Employer Liability Insurance” premium has been donated to Sanyi Township Cleaning Team, which has benefited 30,000 people so far in order to provide them with a job security and livelihood protection. It also expressed deep concern for the community.

In addition, in the spirit of feedback to the village, the Company will continue to sponsor the “Taiwan International Woodcarving Competition,” provide scholarships to students at all levels of the school in Sanyi regularly, and organize “Yulon Kids Basketball Summer Camp” and “San Yi Yulon Car Design Camp” to provide children in the community with a variety of learning experiences. In addition, the establishment of Yulon Volunteer Society in 2015 with the belief in “Caring for the locals and theme service” to care for the community neighborhoods and local under privilege groups, to arrange several charity activities gradually. In 2017, beach cleaning activity was held at Waipu Fishing Port in Miaoli County to fulfill the corporate social responsibility for environmental protection. With voluntary efforts made by all employees, a total of 620kg of garbage was removed.

In the future, the Company will continue to work in pursuit of the welfare of employees, shareholders and society on the aforementioned basis. Finally we would like to express our gratitude for the support and care from all shareholders for Yulon Motor over the past. Thank you.

Chairman: Kenneth, K.T. Yen



President: Zhen-Xiang Yao



Chief Accountant: Steven, W.Y. Lo



## 2. The 2017 Audit Committee' Report

The Board of Directors has prepared the 2017 Business Report, Financial Statements and proposal for earnings distribution. The CPA Hsin-Wei TAI and CPA Yu-Wei FAN, members of the Deloitte & Touche, were retained to audit Yulon Financial Statements and had issued the unqualified-standard wording audit report. The Business Report, Financial Statements, and earning distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee. According to Article 14.4 of the Securities Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To the 2018 Annual Shareholders' Meeting

Yulon Motor Co., Ltd.

Audit Committee Convenor : Yi-Hong Hsieh



Date: March 26, 2018

### **3. The 2017 Distribution of Employees' and Directors' Remuneration**

- (1) Pursuant to the provision of Article 27 of revised Articles of Incorporation, the Company shall appropriate remuneration for directors and employees of that year in case of any profits. The remuneration for Directors may not exceed 0.5% of the profit and the remuneration for employees may not fall below 0.1%.
- (2) The 2017 annual profit for the Company was NTD2.34 billion before distributing the employees' and directors' remuneration. Pursuant to the provisions of Article 27 of Incorporation, the Company has already appropriated 0.3% of the profits as compensation for employees, in the total amount of NTD7.38 million. Additionally, 0.5% of the profit was appropriated as the remuneration for directors, in the total amount of NTD11.70 million. Previous remuneration amount is approved by the Remuneration Committee and the Board of Directors and the remuneration is to be distributed in cash.
- (3) In addition to the aforementioned employee remuneration, the Company has incentives distributed, including three festival bonuses, annual bonus, and the management performance bonus according to the operating performance and personal performance in order to inspire employees to create better performance for the benefits of the Company and shareholders. The Company distributed additional bonus in the amount of NTD64.14 million in February, 2018.

#### 4. The Status of Endorsement and Guarantee

On December 31 2017, the total endorsement and guarantee line was NTD 16.58 billion while the actual endorsement and guarantee amount was NTD5.84 billion and the maximum amount provided to single entity was NTD 5.1 billion.

The status of endorsement and guarantee was in compliance with Article 4 of the Procedures for Endorsement and Guarantee (The total amount of endorsements and guarantees shall not exceed 40% of the Company's net worth. The total amount of endorsement and guarantee provided by the Company to any single entity shall not exceed 35% of the guarantee line.)

The endorsement and guarantee statement is as follows:

Yulon Motor Co., Ltd.  
Endorsement and Guarantee Statement  
December 31, 2017

In Thousands of NTD

Entity Name	Guarantee Line	Actual Drawdown Amount
ESINN CO., LTD	690,000	450,000
Luxgen Motor Co., Ltd.	9,250,000	5,100,000
Yulon Development Co., Ltd.	600,000	0
Yu Ching Business Co., Ltd.	1,000,000	0
Sin Chi Co., Ltd.	500,000	0
UNIVATION MOTOR PHILIPPINES, INC.	1,552,096	291,943
<u>Luxgen</u> (Hangzhou) Automobile Sales Co., Ltd.	2,984,800	0
Total	16,576,896	5,841,943

## **Acknowledgements**

### **Proposal 1**

Proposed by the Board of Directors

Proposal: Acknowledge the 2017 Financial Statements

Explanation:

1. Yulon's 2017 Financial Statements were audited by CPA Hsin-Wei TAI and CPA Yu-Wei FAN, members of the Deloitte & Touche. The Financial Statements and Business Report have been reviewed and determined to be correct and accurate by the Audit Committee.
2. The 2017 Business Report (please refer to from page 2 to page 4) and Financial Statements (please refer to from page 9 to page 32 ) are enclosed for reference.
3. Please proceed with the acknowledgement.

Resolution:

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Yulon Motor Company Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Impairment Assessment of Vehicle Model Development Cost and Molds of  
Luxgen Motor Co., Ltd., Investment Accounted for Using Equity Method

(Please refer to Note 12.)

The vehicle model development cost of Luxgen Motor Co., Ltd., investment accounted for using equity method, was \$5,269,471 thousand, and the molds equipment used for the production of the vehicle model was \$3,866,307 thousand. Luxgen Motor Co., Ltd. identifies different models of vehicles as separate cash-generating units, and tests them for impairment annually.

The amounts of vehicle model development cost and molds equipment used for the production of the model were material to the financial statements as a whole. Furthermore, assessment of the recoverable amount used in impairment testing is an area of professional judgment. As a result, impairment assessment of the vehicle model development cost and molds equipment

is determined as a key audit matter. The main audit procedures we have performed in respect of the key audit matter stated above were as follows:

1. We understood the process and basis for the estimated growth rate and profitability of the sales forecast of the Company.
2. We reviewed whether the estimated operating cash flow was consistent with operating prospectus approved by the board of directors and inquired whether the future cash flow considered the latest operating performance and industry overview.
3. We assessed the evaluation model used by the management.
4. We assessed the weighted average cost of capital (WACC) used by the management in calculating the recoverable amount in accordance with the valuation model, including risk-free rate, volatility and risk premium. We verified that the WACC was consistent with the Company's status and the industry.

Impairment of Trade Receivable of Taiwan Acceptance Corporation and  
Its Subsidiaries ("TAC Group"), Investment Accounted for Using Equity Method

(Please refer to Note 12.)

The determination of estimated impairment of trade receivable of the TAC Group takes into consideration the present value of estimated future cash flows based on foreseeable economic status forecast by the management. This is determined to be material to the financial statements as a whole and involves significant management judgement; thus, this is determined as a key audit matter. As of December 31, 2017, allowance for impairment loss of trade receivable was NT\$2,492,456 thousand, representing 2.67% of TAC Group's total trade receivable; impairment loss of trade receivable recognized in TAC Group's consolidated statement of comprehensive income for the year ended December 31, 2017 was NT\$1,491,271 thousand, representing 22.59% of operating expenses.

Our audit procedures included:

1. We understood the policies on impairment of trade receivable and assessed the reasonableness of impairment of receivables by performing inquiry, and reperformance of related internal controls.
2. We involved our IT specialists in testing the system that generated trade receivable related documents used by management in performing the controls.
3. We performed analytical procedures on current and prior years' receivable balances and write-off of allowance for impairments to assess the reasonableness of the recognized impairment loss.
4. We assessed the data and model used in the estimation of receivable impairment, including collection of impaired receivables and discount rates.
5. We recalculated the impairment based on the impairment policy of the Group.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei, Tai and Yu-Wei, Fan.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 26, 2018

#### 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 MOTOR COMPANY LTD.

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 14,555,448	16	\$ 6,610,313	8
Financial assets at fair value through profit or loss - current	166,945	-	449,091	1
Debt investments with no active market - current	5,089,600	6	3,989,600	5
Note and trade receivable	23,961	-	67,566	-
Notes and trade receivable from related parties	635,451	1	384,964	-
Other receivables	212,682	-	502,298	1
Inventories	6,873,416	7	3,987,664	5
Other current assets	<u>850,281</u>	<u>1</u>	<u>417,331</u>	<u>1</u>
Total current assets	<u>28,407,784</u>	<u>31</u>	<u>16,408,827</u>	<u>21</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	56,845	-	48,519	-
Financial assets measured at cost - non-current	27,931	-	27,931	-
Investments accounted for using equity method	44,253,861	48	41,322,203	52
Property, plant and equipment	6,361,945	7	6,238,698	8
Investment properties	12,087,160	13	10,598,281	13
Other intangible assets	1,277,490	1	68,642	-
Deferred tax assets	531,535	-	515,318	1
Other non-current assets	<u>12,320</u>	<u>-</u>	<u>4,017,663</u>	<u>5</u>
Total non-current assets	<u>64,609,087</u>	<u>69</u>	<u>62,837,255</u>	<u>79</u>
<b>TOTAL</b>	<u>\$ 93,016,871</u>	<u>100</u>	<u>\$ 79,246,082</u>	<u>100</u>

# YULON MOTOR COMPANY LTD.

## BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Trade payables	\$ 2,862,921	3	\$ 2,112,501	3
Trade payables to related parties	1,482,892	2	1,205,530	1
Other payables	2,904,164	3	1,300,853	2
Current tax liabilities	-	-	492,765	1
Other current liabilities	<u>38,466</u>	<u>-</u>	<u>163,492</u>	<u>-</u>
Total current liabilities	<u>7,288,443</u>	<u>8</u>	<u>5,275,141</u>	<u>7</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	10,000,000	11	-	-
Long-term borrowings	1,500,000	1	-	-
Deferred tax liabilities	2,541,633	3	2,518,765	3
Net defined benefit liabilities - non-current	949,658	1	1,227,654	1
Deposits received	181,236	-	457,891	1
Credit balance on the carrying value of investments accounted for using the equity method	94,052	-	23,216	-
Other non-current liabilities	<u>29,696</u>	<u>-</u>	<u>28,869</u>	<u>-</u>
Total non-current liabilities	<u>15,296,275</u>	<u>16</u>	<u>4,256,395</u>	<u>5</u>
Total liabilities	<u>22,584,718</u>	<u>24</u>	<u>9,531,536</u>	<u>12</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	<u>15,729,199</u>	<u>17</u>	<u>15,729,199</u>	<u>20</u>
Capital surplus	<u>6,665,705</u>	<u>7</u>	<u>6,664,910</u>	<u>8</u>
Retained earnings				
Legal reserve	7,849,288	8	7,715,818	10
Special reserve	37,373,565	40	36,373,565	46
Unappropriated earnings	<u>2,693,149</u>	<u>3</u>	<u>2,375,157</u>	<u>3</u>
Total retained earnings	<u>47,916,002</u>	<u>51</u>	<u>46,464,540</u>	<u>59</u>
Other equity				
Exchange differences on translating foreign operations	(593,515)	-	75,147	-
Unrealized gain on available-for-sale financial assets	1,091,158	1	1,157,054	2
Cash flow hedges	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>497,551</u>	<u>1</u>	<u>1,232,201</u>	<u>2</u>
Treasury shares	<u>(376,304)</u>	<u>-</u>	<u>(376,304)</u>	<u>(1)</u>
Total equity	<u>70,432,153</u>	<u>76</u>	<u>69,714,546</u>	<u>88</u>
<b>TOTAL</b>	<u>\$ 93,016,871</u>	<u>100</u>	<u>\$ 79,246,082</u>	<u>100</u>

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

# YULON MOTOR COMPANY LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 34,591,748	96	\$ 38,827,272	97
Other operating revenue	<u>1,501,048</u>	<u>4</u>	<u>1,170,752</u>	<u>3</u>
Total operating revenue	<u>36,092,796</u>	<u>100</u>	<u>39,998,024</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	32,651,536	91	36,674,883	92
Other operating cost	<u>462,013</u>	<u>1</u>	<u>331,390</u>	<u>1</u>
Total operating costs	<u>33,113,549</u>	<u>92</u>	<u>37,006,273</u>	<u>93</u>
GROSS PROFIT	2,979,247	8	2,991,751	7
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>(37,758)</u>	<u>-</u>	<u>7,171</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,941,489</u>	<u>8</u>	<u>2,998,922</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	118,435	-	134,455	-
General and administrative expenses	820,698	2	889,213	2
Research and development expenses	<u>155,206</u>	<u>1</u>	<u>172,399</u>	<u>1</u>
Total operating expenses	<u>1,094,339</u>	<u>3</u>	<u>1,196,067</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,847,150</u>	<u>5</u>	<u>1,802,855</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSE				
Share of (losses)/gains of subsidiaries, associates and joint ventures	295,913	1	(178,709)	-
Other income	50,653	-	49,723	-
Interest income	62,964	-	56,158	-
Finance costs	(15,959)	-	(1,933)	-
Other gains	<u>79,182</u>	<u>-</u>	<u>81,548</u>	<u>-</u>
Total non-operating income	<u>472,753</u>	<u>1</u>	<u>6,787</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,319,903	6	1,809,642	4
INCOME TAX EXPENSE	<u>31,597</u>	<u>-</u>	<u>474,939</u>	<u>1</u>

(Continued)

# YULON MOTOR COMPANY LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
NET PROFIT FOR THE YEAR	<u>2,288,306</u>	<u>6</u>	<u>1,334,703</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,802)	-	(174,573)	(1)
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(39,667)</u>	<u>-</u>	<u>(104,791)</u>	<u>-</u>
	<u>(45,469)</u>	<u>-</u>	<u>(279,364)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain/(loss) on available-for-sale financial assets	8,326	-	(2,170)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(742,976)</u>	<u>(2)</u>	<u>(1,328,713)</u>	<u>(3)</u>
	<u>(734,650)</u>	<u>(2)</u>	<u>(1,330,883)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>(780,119)</u>	<u>(2)</u>	<u>(1,610,247)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,508,187</u>	<u>4</u>	<u>\$ (275,544)</u>	<u>(1)</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.56</u>		<u>\$ 0.91</u>	
Diluted	<u>\$ 1.56</u>		<u>\$ 0.91</u>	

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

(Concluded)

## YULON MOTOR COMPANY LTD.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

			<u>Retained</u>
	Share Capital	Capital Surplus	Legal Reserve
BALANCE, JANUARY 1, 2016	\$ 15,729,199	\$ 6,650,489	\$ 7,380,610
Appropriation of the 2015 earnings			
Legal reserve	-	-	335,208
Special reserve	-	-	-
Cash dividends distributed by the Company (NT\$0.9 per share)	-	-	-
Change in equity from investments in subsidiaries, associates and joint ventures accounted for by using equity method	-	14,421	-
Net profit for the year ended December 31, 2016	-	-	-
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-
Total comprehensive income for the year ended December 31, 2016	-	-	-
BALANCE, DECEMBER 31, 2016	15,729,199	6,664,910	7,715,818
Appropriation of 2016 earnings			
Legal reserve	-	-	133,470
Special reserve	-	-	-
Cash dividends distributed by the Company (NT\$0.5 per share)	-	-	-
Change in equity from investments in subsidiaries, associates and joint ventures accounted for by using equity method	-	795	-
Net profit for the year ended December 31, 2017	-	-	-
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-
BALANCE, DECEMBER 31, 2017	<u>\$ 15,729,199</u>	<u>\$ 6,665,705</u>	<u>\$ 7,849,288</u>

## YULON MOTOR COMPANY LTD.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

Earnings		Other Equity		Cash Flow Hedges	Treasury Shares	Total Equity
		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets			
Special Reserve	Unappropriated Earnings					
\$ 35,373,565	\$ 4,157,281	\$ 1,484,838	\$ 1,078,584	\$ (338)	\$ (376,304)	\$ 71,477,924
-	(335,208)	-	-	-	-	-
1,000,000	(1,000,000)	-	-	-	-	-
-	(1,415,628)	-	-	-	-	(1,415,628)
-	(86,627)	-	-	-	-	(72,206)
-	1,334,703	-	-	-	-	1,334,703
-	(279,364)	(1,409,691)	78,470	338	-	(1,610,247)
-	1,055,339	(1,409,691)	78,470	338	-	(275,544)
36,373,565	2,375,157	75,147	1,157,054	-	(376,304)	69,714,546
-	(133,470)	-	-	-	-	-
1,000,000	(1,000,000)	-	-	-	-	-
-	(786,460)	-	-	-	-	(786,460)
-	(4,915)	-	-	-	-	(4,120)
-	2,288,306	-	-	-	-	2,288,306
-	(45,469)	(668,662)	(65,896)	(92)	-	(780,119)
-	2,242,837	(668,662)	(65,896)	(92)	-	1,508,187
<u>\$ 37,373,565</u>	<u>\$ 2,693,149</u>	<u>\$ (593,515)</u>	<u>\$ 1,091,158</u>	<u>\$ (92)</u>	<u>\$ (376,304)</u>	<u>\$ 70,432,153</u>

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

# YULON MOTOR COMPANY LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,319,903	\$ 1,809,642
Adjustments for:		
Depreciation expenses	360,480	392,296
Share of loss/(profit) of subsidiaries, associates and joint ventures	(295,913)	178,709
Interest income	(62,964)	(56,158)
Unrealized (gain)/loss on foreign currency exchange	(58,418)	(39,743)
Amortization expenses	44,404	45,225
Reversal of impairment loss recognized on non-financial assets	36,103	(17,854)
Finance costs	15,959	1,933
Dividend income	(10,428)	(11,235)
Realized (gain)/loss on the transactions with subsidiaries, associates and joint ventures	5,654	(47,428)
Gain on disposal of property, plant and equipment	(701)	(1,010)
Loss/(gain) on disposal of investment	-	350
Changes in operating assets and liabilities		
Financial assets held for trading	282,146	3,129,483
Notes and trade receivable	(217,306)	421,690
Other receivables	284,684	(88,434)
Inventories	(291,864)	51,088
Other current assets	(609,510)	(260,488)
Other operating assets	(7,120)	-
Trade payables	1,088,224	325,135
Other payables	387,029	77,370
Other current liabilities	(125,026)	98,346
Net defined benefit liabilities - non-current	(283,798)	(612,368)
Other operating liabilities	827	4,479
Cash generated from operations	<u>2,862,365</u>	<u>5,401,028</u>
Interest received	67,896	45,847
Interest paid	(9,677)	(1,933)
Income tax paid	<u>(517,711)</u>	<u>(15,279)</u>
Net cash generated from operating activities	<u>2,402,873</u>	<u>5,429,663</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries/associates	(8,142,330)	(3,183,519)
Dividends received	4,661,124	3,195,541
Acquisition of debt investments with no active market	(1,100,000)	(1,572,100)
Acquisition of property, plant and equipment	(459,869)	(250,603)
Proceeds from the capital reduction of investments accounted for using the equity method	134,309	1,231
Proceeds from disposal of property, plant and equipment	3,744	1,558
Acquisition of other non-current assets	-	(2,746,698)
Acquisition of intangible assets	-	(22,147)
Proceeds from disposal of financial assets measured at cost	<u>-</u>	<u>130</u>

(Continued)

# YULON MOTOR COMPANY LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Net cash used in investing activities	<u>(4,903,022)</u>	<u>(4,576,607)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of bonds payable	10,000,000	-
Proceeds from long-term borrowings	1,500,000	-
Dividends paid to owners of the Company	(786,460)	(1,412,173)
Decrease in guarantee deposits received	<u>(276,656)</u>	<u>(70,293)</u>
Net cash generated from (used in) financing activities	<u>10,436,884</u>	<u>(1,482,466)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>8,400</u>	<u>4,154</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,945,135	(625,256)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>6,610,313</u>	<u>7,235,569</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$14,555,448</u>	<u>\$ 6,610,313</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Yulon Motor Company Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

#### **Impairment Assessment of Luxgen's Vehicle Model Development Cost and Molds**

(Please refer to Notes 4, 5, 18, 20 and 28.)

The vehicle model development cost of Luxgen brand was NT\$5,269,471 thousand, and the molds equipment used for the production of the vehicle model was NT\$3,866,307 thousand. The Group identifies different models of vehicles as separate cash-generating units, and tests them for impairment at least annually.

The amounts of vehicle model development cost and molds equipment used for the production of the model were material to the financial statements as a whole. Furthermore, assessment of the recoverable amount used in impairment testing is an area of professional judgment. As a result,

impairment assessment of the vehicle model development cost and molds equipment is determined as a key audit matter.

The main audit procedures we have performed in respect of the key audit matter stated above were as follows:

1. We understood the process and basis for the estimated growth rate and profitability of the sales forecast of the Group.
2. We reviewed whether the estimated operating cash flow was consistent with operating prospectus approved by the board of directors and inquired whether the future cash flow considered the latest operating performance and industry overview.
3. We assessed the evaluation model used by the management.
4. We assessed the weighted average cost of capital (WACC) used by the management in calculating the recoverable amount in accordance with the valuation model, including risk-free rate, volatility and risk premium. We verified that the WACC was consistent with the Group status and the industry.

#### Estimated Impairment of Trade Receivable

As described in Note 5, the determination of estimated impairment of trade receivable of the Group's horizontal segments takes into consideration the present value of estimated future cash flows based on foreseeable economic status forecast by the management. This is determined to be material to the financial statements as a whole and involves significant management judgement; thus, this is determined as a key audit matter. As of December 31, 2017, allowance for impairment loss of trade receivable was NT\$2,495,848 thousand, representing 2.57% of total trade receivable; impairment loss of trade receivable recognized in the consolidated statement of comprehensive income for the year ended December 31, 2017 was NT\$1,429,980 thousand, representing 7.90% of operating expenses.

Our audit procedures included:

1. We understood the policies on impairment of trade receivable and assessed the reasonableness of impairment of receivables by performing inquiry, inspection and reperformance of related internal controls.
2. We involved our IT specialists in testing the system that generated trade receivable related documents used by management in performing the controls.
3. We performed analytical procedures on current and prior years' receivable balances and write-off of allowance for impairment to assess the reasonableness of the recognized impairment loss.
4. We assessed the data and model used in the estimation of receivable impairment, including collection of impaired receivables and discount rates.
5. We recalculated the impairment based on the impairment policy of the Group.

#### **Other Matter**

We have also audited the financial statements of Yulon Motor Company Ltd. as of and for the years ended December 31, 2017 and 2016 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 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 group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei, Tai and Yu-Wei, Fan.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

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 MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 24,631,189	9	\$ 17,082,251	8
Financial assets at fair value through profit or loss - current	1,054,494	-	2,130,637	1
Available-for-sale financial assets - current	146,165	-	185,593	-
Financial assets measured at cost - current	2,991	-	3,010	-
Debt investments with no active market - current	7,396,152	3	5,247,872	2
Notes and trade receivable	92,135,989	36	77,439,788	35
Notes and trade receivable from related parties	2,200,030	1	2,011,383	1
Finance lease receivables	17,952,213	7	12,648,089	6
Other receivables	4,041,993	2	2,047,097	1
Inventories	12,125,616	5	7,571,563	3
Other current assets	<u>7,741,609</u>	<u>3</u>	<u>5,217,552</u>	<u>2</u>
Total current assets	<u>169,428,441</u>	<u>66</u>	<u>131,584,835</u>	<u>59</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	58,244	-	423,474	-
Held-to-maturity financial assets - non-current	16,632	-	17,095	-
Financial assets measured at cost - non-current	87,501	-	155,305	-
Debt investment with no active market - non-current	183,991	-	9,750	-
Investments accounted for using the equity method	29,384,814	11	30,476,626	14
Property, plant and equipment	35,764,145	14	33,663,144	15
Investment properties	11,923,408	5	10,813,104	5
Goodwill	882	-	882	-
Vehicle model development cost	6,479,471	3	5,733,470	3
Other intangible assets	400,486	-	396,701	-
Deferred tax assets	1,277,349	1	1,092,327	1
Long-term finance lease receivables	948,688	-	1,019,284	-
Refundable deposits	1,218,987	-	416,913	-
Long-term prepayments for lease	1,003,988	-	1,093,773	1
Other non-current assets	<u>239,480</u>	<u>-</u>	<u>4,374,958</u>	<u>2</u>
Total non-current assets	<u>88,988,066</u>	<u>34</u>	<u>89,686,806</u>	<u>41</u>
<b>TOTAL</b>	<u>\$ 258,416,507</u>	<u>100</u>	<u>\$ 221,271,641</u>	<u>100</u>

# YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 49,220,404	19	\$ 39,492,732	18
Short-term bills payable	65,410,076	25	54,317,680	25
Financial liabilities at fair value through profit or loss - current	-	-	1,145	-
Derivative financial liabilities for hedging - current	201	-	-	-
Notes and trade payables	6,010,742	2	5,754,665	3
Notes and trade payable to related parties	8,675,235	3	7,615,136	3
Other payables	12,087,797	5	8,461,606	4
Current tax liabilities	530,075	-	902,548	-
Provisions - current	295,236	-	334,057	-
Current portion of long-term borrowings	776,712	-	1,197,964	1
Current portion of bonds payable	4,342,919	2	3,000,000	1
Other current liabilities	<u>11,483,566</u>	<u>5</u>	<u>11,303,884</u>	<u>5</u>
Total current liabilities	<u>158,832,963</u>	<u>61</u>	<u>132,381,417</u>	<u>60</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	10,000,000	4	-	-
Long-term borrowings	2,952,752	1	927,511	-
Provisions - non-current	898,195	-	851,333	-
Deferred tax liabilities	3,648,046	2	3,557,823	2
Long-term trade payables	1,050,000	-	2,100,000	1
Deferred revenue - non-current	27,920	-	23,980	-
Net defined benefit liabilities - non-current	1,379,780	1	1,729,048	1
Other non-current liabilities	<u>505,712</u>	<u>-</u>	<u>637,709</u>	<u>-</u>
Total non-current liabilities	<u>20,462,405</u>	<u>8</u>	<u>9,827,404</u>	<u>4</u>
Total liabilities	<u>179,295,368</u>	<u>69</u>	<u>142,208,821</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	<u>15,729,199</u>	<u>6</u>	<u>15,729,199</u>	<u>7</u>
Capital surplus	<u>6,665,705</u>	<u>3</u>	<u>6,664,910</u>	<u>3</u>
Retained earnings				
Legal reserve	7,849,288	3	7,715,818	4
Special reserve	37,373,565	14	36,373,565	16
Unappropriated earnings	<u>2,693,149</u>	<u>1</u>	<u>2,375,157</u>	<u>1</u>
Total retained earnings	<u>47,916,002</u>	<u>18</u>	<u>46,464,540</u>	<u>21</u>
Other equity				
Exchange differences on translating foreign operations	(593,515)	-	75,147	-
Unrealized gain on available-for-sale financial assets	1,091,158	-	1,157,054	1
Cash flow hedges	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other equity	<u>497,551</u>	<u>-</u>	<u>1,232,201</u>	<u>1</u>
Treasury shares	<u>(376,304)</u>	<u>-</u>	<u>(376,304)</u>	<u>-</u>
Total equity attributable to owners of the Company	70,432,153	27	69,714,546	32
NON-CONTROLLING INTERESTS	<u>8,688,986</u>	<u>4</u>	<u>9,348,274</u>	<u>4</u>
Total equity	<u>79,121,139</u>	<u>31</u>	<u>79,062,820</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 258,416,507</u>	<u>100</u>	<u>\$ 221,271,641</u>	<u>100</u>

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

# YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Sales	\$ 72,754,343	77	\$ 93,771,672	84
Investment income	156,027	-	53,001	-
Rental revenue	7,571,120	8	7,240,012	6
Service revenue	3,196,922	4	2,889,172	3
Other operating revenue	<u>10,432,616</u>	<u>11</u>	<u>8,212,828</u>	<u>7</u>
Total operating revenue	<u>94,111,028</u>	<u>100</u>	<u>112,166,685</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Cost of goods sold	63,315,628	67	83,341,209	74
Investment cost	41,688	-	9,193	-
Rental cost	6,269,706	7	6,019,283	5
Service cost	1,741,454	2	1,616,212	2
Other operating cost	<u>2,737,541</u>	<u>3</u>	<u>1,980,970</u>	<u>2</u>
Total operating costs	<u>74,106,017</u>	<u>79</u>	<u>92,966,867</u>	<u>83</u>
GROSS PROFIT	20,005,011	21	19,199,818	17
<b>REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES</b>				
	<u>(3,597)</u>	<u>-</u>	<u>157</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>20,001,414</u>	<u>21</u>	<u>19,199,975</u>	<u>17</u>
<b>OPERATING EXPENSES</b>				
Selling and marketing expenses	9,283,443	10	8,673,135	8
General and administrative expenses	8,537,662	9	8,008,870	7
Research and development expenses	<u>283,282</u>	<u>-</u>	<u>294,075</u>	<u>-</u>
Total operating expenses	<u>18,104,387</u>	<u>19</u>	<u>16,976,080</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>1,897,027</u>	<u>2</u>	<u>2,223,895</u>	<u>2</u>
<b>NON-OPERATING INCOME</b>				
Other income	932,919	1	975,089	1
Other losses	220,082	-	(654,866)	(1)
Finance costs	(292,382)	-	(313,359)	-
Share of profit of associates and joint ventures accounted for by the equity method	1,161,441	1	620,057	1
Interest income	<u>219,361</u>	<u>-</u>	<u>213,079</u>	<u>-</u>
Total non-operating income	<u>2,241,421</u>	<u>2</u>	<u>840,000</u>	<u>1</u>

(Continued)

# YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	4,138,448	4	3,063,895	3
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,060,027</u>	<u>1</u>	<u>1,284,672</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,078,421</u>	<u>3</u>	<u>1,779,223</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(22,526)	-	(238,341)	-
Share of the other comprehensive losses of associates and joint ventures accounted for by the equity method	<u>(22,653)</u>	<u>-</u>	<u>(51,239)</u>	<u>-</u>
	<u>(45,179)</u>	<u>-</u>	<u>(289,580)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation operations	(412,510)	(1)	(484,623)	(1)
Unrealized gain (loss) on available-for-sale financial assets	(304,108)	-	93,799	-
Cash flow hedges	(201)	-	721	-
Share of the other comprehensive of associates and joint ventures accounted for by the equity method	<u>(108,240)</u>	<u>-</u>	<u>(1,248,489)</u>	<u>(1)</u>
	<u>(825,059)</u>	<u>(1)</u>	<u>(1,638,592)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(870,238)</u>	<u>(1)</u>	<u>(1,928,172)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,208,183</u>	<u>2</u>	<u>\$ (148,949)</u>	<u>-</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,288,306	2	\$ 1,334,703	1
Non-controlling interests	<u>790,115</u>	<u>1</u>	<u>444,520</u>	<u>1</u>
	<u>\$ 3,078,421</u>	<u>3</u>	<u>\$ 1,779,223</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,508,187	1	\$ (275,544)	-
Non-controlling interests	<u>699,996</u>	<u>1</u>	<u>126,595</u>	<u>-</u>
	<u>\$ 2,208,183</u>	<u>2</u>	<u>\$ (148,949)</u>	<u>-</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$1.56</u>		<u>\$0.91</u>	
Diluted	<u>\$1.56</u>		<u>\$0.91</u>	

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

(Concluded)

## YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Equity Attributable to			
	Share Capital	Capital Surplus	Legal Reserve	Retained Special Reserve
BALANCE, JANUARY 1, 2016	\$ 15,729,199	\$ 6,650,489	\$ 7,380,610	\$ 35,373,565
Appropriation of the 2015 earnings				
Legal reserve	-	-	335,208	-
Special reserve	-	-	-	1,000,000
Cash dividends distributed by the Company (NT\$0.9 per share)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-
Change in equity from investments in associates and joint ventures accounted for by using equity method	-	14,421	-	-
Change in equity from the differences between the consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	-	-	-
Change in non-controlling interests	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-
Total comprehensive income for the year ended December 31, 2016	-	-	-	-
BALANCE, DECEMBER 31, 2016	15,729,199	6,664,910	7,715,818	36,373,565
Appropriation of the 2016 earnings				
Legal reserve	-	-	133,470	-
Special reserve	-	-	-	1,000,000
Cash dividends distributed by the Company (NT\$0.5 per share)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-
Change in equity from investments in associates and joint ventures accounted for by using equity method	-	795	-	-
Change in equity from the differences between the consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	-	-	-	-
Change in non-controlling interests	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-
BALANCE, DECEMBER 31, 2017	<u>\$ 15,729,199</u>	<u>\$ 6,665,705</u>	<u>\$ 7,849,288</u>	<u>\$ 37,373,565</u>

## YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

#### Owners of the Company

Earnings	Other Equity				Treasury Shares	Total	Non-controlling Interests	Total Equity
	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges				
\$ 4,157,281	\$ 1,484,838	\$ 1,078,584	\$ (338)	\$ (376,304)	\$ 71,477,924	\$ 9,703,719	\$ 81,181,643	
(335,208)	-	-	-	-	-	-	-	
(1,000,000)	-	-	-	-	-	-	-	
(1,415,628)	-	-	-	-	(1,415,628)	-	(1,415,628)	
-	-	-	-	-	-	(1,033,658)	(1,033,658)	
(7,357)	-	-	-	-	7,064	(6,800)	264	
(79,270)	-	-	-	-	(79,270)	79,270	-	
-	-	-	-	-	-	479,148	479,148	
1,334,703	-	-	-	-	1,334,703	444,520	1,779,223	
(279,364)	(1,409,691)	78,470	338	-	(1,610,247)	(317,925)	(1,928,172)	
1,055,339	(1,409,691)	78,470	338	-	(275,544)	126,595	(148,949)	
2,375,157	75,147	1,157,054	-	(376,304)	69,714,546	9,348,274	79,062,820	
(133,470)	-	-	-	-	-	-	-	
(1,000,000)	-	-	-	-	-	-	-	
(786,460)	-	-	-	-	(786,460)	-	(786,460)	
-	-	-	-	-	-	(1,228,791)	(1,228,791)	
(2,555)	-	-	-	-	(1,760)	(93)	(1,853)	
(2,360)	-	-	-	-	(2,360)	2,360	-	
-	-	-	-	-	-	(132,760)	(132,760)	
2,288,306	-	-	-	-	2,288,306	790,115	3,078,421	
(45,469)	(668,662)	(65,896)	(92)	-	(780,119)	(90,119)	(870,238)	
2,242,837	(668,662)	(65,896)	(92)	-	1,508,187	699,996	2,208,183	
<u>\$ 2,693,149</u>	<u>\$ (593,515)</u>	<u>\$ 1,091,158</u>	<u>\$ (92)</u>	<u>\$ (376,304)</u>	<u>\$ 70,432,153</u>	<u>\$ 8,688,986</u>	<u>\$ 79,121,139</u>	

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

# YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,138,448	\$ 3,063,895
Adjustments for:		
Interest income	(8,851,032)	(7,179,641)
Depreciation expenses	6,685,723	6,731,963
Finance costs	1,781,192	1,236,913
Impairment loss recognized on trade receivables	1,746,438	1,439,397
Share of profit of associates and joint ventures accounted for by the equity method	(1,131,485)	(610,865)
Amortization expenses	794,764	852,767
Net (gain) loss on foreign currency exchange	(674,585)	1,152,229
Gain on disposal of financial assets	(449,668)	(27,742)
Recognition of provisions	203,124	115,621
Impairment loss recognized on non-financial assets	155,094	147,943
Dividend income	(53,472)	(54,142)
Loss on disposal of property, plant and equipment	36,754	3,445
Net loss on disposal of intangible assets	36,281	-
Gain on disposal of investment properties	(26,052)	(20,054)
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(25,077)	(58,343)
Realized gain on the transactions with associates and joint ventures	(23,805)	(32,697)
Impairment loss recognized on financial assets	20,223	11,844
Changes in operating assets and liabilities		
Financial assets held for trading	747,387	1,848,138
Notes and trade receivable	(16,569,724)	(13,700,239)
Other receivables	(2,097,629)	(44,299)
Inventories	(1,978,392)	1,787,181
Prepayments and other current assets	(2,638,695)	145,999
Finance lease receivables	(5,441,959)	(3,511,859)
Available-for-operating-sale leased assets	(6,488,767)	(4,561,225)
Other operating assets	265,219	(183,788)
Notes and trade payables	1,528,314	2,673,890
Other payables	1,335,532	(4,032,260)
Provisions	(194,694)	(117,912)
Guarantee deposits	863,617	720,609
Other current liabilities	(492,103)	96,682
Accrued pension liabilities	(371,794)	(783,840)
Deferred revenue	18,206	(34,468)
Other operating liabilities	324,113	19,961
Cash used in operations	(26,828,504)	(12,904,897)
Interest received	8,712,414	6,983,887
Interest paid	(1,734,478)	(1,198,670)
Income tax paid	(1,537,227)	(718,454)
Net cash used in operating activities	<u>(21,387,795)</u>	<u>(7,838,134)</u>

(Continued)

# YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	3,989,394	2,661,954
Purchase of property, plant and equipment	(3,650,199)	(3,828,379)
Proceeds on sale of financial assets at fair value through profit or loss	2,533,881	5,713,504
Purchase of debt investment with no active market	(2,319,134)	-
Purchase of financial assets at fair value through profit or loss	(2,189,002)	(4,891,290)
Acquisition of associates	(1,921,798)	(8,746)
Proceeds from disposal of property, plant and equipment	1,165,431	769,462
(Increase) decrease in refundable deposits	(807,515)	121,290
Proceeds on sale of available-for-sale financial assets	395,764	89,354
Proceeds on sale of financial assets measured at cost	204,523	43,617
Payments for intangible assets	(133,977)	(178,111)
Decrease (increase) in prepayments for leases	54,447	(412,667)
Proceeds on investment properties	53,321	44,038
Proceeds on intangible assets	1,363	-
Acquisition of financial assets measured at cost	(1,145)	(782)
Purchase of available-for-sale financial assets	(954)	(18,151)
Payments for other non-current assets	-	(2,746,698)
Proceeds on sale of debt investments with no active market	-	753,981
Net cash outflow on acquisition of subsidiaries	-	(13,630)
Capital return from financial assets measured at cost	-	1,302
	<u>(2,625,600)</u>	<u>(1,899,952)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of bonds payable	14,341,475	-
Proceeds from short-term borrowings	13,739,223	10,407,251
Proceeds from short-term bills payable	11,937,430	7,904,146
Repayment of short-term borrowings	(3,684,446)	(2,733,632)
Repayment of bonds payable	(3,000,000)	-
Dividends paid	(2,009,332)	(2,438,631)
Proceeds from long-term borrowings	1,637,439	151,346
Repayment of short-term bills payable	(791,468)	(2,304,786)
(Decrease) increase in guarantee deposits received	(301,115)	61,346
Change in non-controlling interests	(132,760)	107,731
Repayment of long-term borrowings	(33,450)	(214,839)
	<u>31,702,996</u>	<u>10,939,932</u>
Net cash generated from financing activities		
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(140,663)</u>	<u>(424,719)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,548,938	777,127
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>17,082,251</u>	<u>16,305,124</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 24,631,189</u>	<u>\$ 17,082,251</u>

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

(Concluded)

## Proposal 2

Proposed by the Board of Directors

Proposal: Acknowledge the 2017 Earnings Distribution

Explanation:

1. In accordance with the 2017 financial statements, the net profit for the year is about NTD2.29 billion and an earnings per share is NTD1.56. Base on the consideration for the need of future working capital, changes in the industrial environment, the right of shareholders and the long-term financial planning, the 2017 earnings distribution statement is proposed in accordance with the Article 27 of the Articles of Incorporation. Please refer to page 34 for the Distribution Statement.
2. NTD 0.58 per share will be distributed as shareholders' cash dividend for 2017 and the distribution date will be scheduled on July 24, 2018 in accordance with the Article 27 of the Articles of Incorporation "The Company shall distribute the earnings with cash dividend or stock dividend for each fiscal year. The earnings distribution amount is proposed by the Board of Directors for a resolution in the shareholders' meeting."
3. If the number of total shares outstanding, prior to the distribution date, changes due to the repurchasing of shares by the Company or the transfer of treasury shares to employees, such that the ratios of the cash dividends are affected and must be adjusted, the Board is authorized to make such adjustments.
4. In addition, in response to the land development in Xindian, NTD1 billion special reserves are proposed to be appropriated from the earnings distribution statement.
5. Please proceed with the acknowledgement.

Resolution:

**Yulon MOTOR CO., LTD.**  
**2017 Earnings Distribution Statement**



In NTD

Item	Subtotal	Total
Distributable amount		2,693,149,116
Undistributed earnings of prior period	455,226,995	
Less: Disposition (or cancellation) of Treasury shares debited to retained earnings	0	
Less: Long-term equity investment adjusted to retained earnings	(4,914,751)	
Less: The re-measured amount of defined benefit plans recognized in retained earnings	(45,469,368)	
Adjusted undistributed earnings	404,842,876	
Net income	2,288,306,240	
Subtotal	2,693,149,116	
Distribution items		2,141,124,171
Legal reserve (10%)	228,830,624	
Special reserve – appropriated according to the amount debited to shareholder’s equipment lawfully	0	
Distribution of shareholders dividends - Cash dividends (NTD 0.58 per share)	912,293,547	
Distribution of shareholders dividends - Stock dividends (NTD 0.00 per share)	0	
Special reserve – Appropriated in accordance with business needs	1,000,000,000	
Undistributed ending retained earnings		552,024,945

Note 1: In line with the implementation of the imputation tax, for calculating the “Shareholder Deductible Tax” in accordance with Article 66-6 of the Income Tax Law, for the year 1998 or each ensuing year thereafter is to be distributed with priority; for calculating the “additional 10% profit-seeking income tax” of the undistributed surplus earnings in accordance with Article 66-9 of the Income Tax Law, the earnings of the most recent fiscal year should be distributed with priority.

Note 2: Distribution of cash dividends will be calculated to New Taiwan Dollar. Fractional amount less than one dollar will be set aside as other revenue.

Chairman:



President:



Chief Accountant:



## Discussions

### Proposal 1

Proposed by the Board of Directors

Proposal: Amendments to the Company's "Procedures for Endorsements and Guarantees."

Explanation:

1. According to the Regulations Governing the Making of Endorsements/Guarantees of the Company, The aggregate amount of endorsements/guarantees made shall be less than 40% of the Company's net worth. The amount of endorsements / guarantees made to a single enterprise shall be less than 35% of the aggregate amount of endorsements/guarantees made by the Company.

the total endorsement/guarantee amount of the Company and its subsidiaries is limited to an amount equivalent to 75% of the Company's new worth. In response to the needs of proprietary brand development, OEM business, and the long-term and mid-term business development between the strait of the relevant horizontal companies, the endorsement/guarantee amount of the Company and its subsidiaries will be increased; therefore, it is proposed to have Article 4 of the Company's "Regulations Governing the Making of Endorsements/Guarantees" amended; also, the total endorsement/guarantee amount of the Company adjusted up to an amount not more than 75% of the net worth of the Company. The amount of endorsements/guarantees made to a single enterprise after amendment shall be less than 40% of the aggregate amount of endorsements/guarantees made by the Company. The aggregate amount of endorsements/guarantees made by the Company and its subsidiaries after amendment shall be less than 100% of the Company's net worth.

2. Please refer to from page 36 for the comparison table before and after revisions.
3. The necessity and reasonableness for the Company and its subsidiaries to determine the total amount of the endorsement/guarantee to be more than 50% of the net worth of the Company , Please refer to Appendix VI ( page 54 ) ◦
4. Please proceed with the discussion.

Resolution:

**Comparison Table for the “Procedures for Endorsements and Guarantees”  
Before and After Revision**

Before the Revision	After the Revision	Remark
<p>Paragraph III of Article IV: The total endorsement/guarantee amount of the Company shall not exceed <u>40%</u> of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed <u>35%</u> of the total endorsement/guarantee amount. The total endorsement/guarantee amount of the Company and its subsidiaries together shall not exceed <u>75%</u> of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 50% of the total endorsement/guarantee amount.</p>	<p>Paragraph III of Article IV: The total endorsement/guarantee amount of the Company shall not exceed <u>75%</u> of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed <u>40%</u> of the total endorsement/guarantee amount. The total endorsement/guarantee amount of the Company and its subsidiaries together shall not exceed <u>100%</u> of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 50% of the total endorsement/guarantee amount.</p>	<p>In response to the needs of proprietary brand development, OEM business, and the long-term and mid-term business development between the strait of the relevant horizontal companies</p>
<p>Article XIII : The Article was regulated on June 21, 1986, amended for the 1st time on June 12, 1995, amended for the 2nd time on May 17, 1997, amended for the 3rd time on June 30, 2003, amended for the 4th time on June 12, 2006, and for the 5th time on June 19, 2008, and for the 6th time on June 19, 2009, and for the 7th time on June 14, 2010, and for the 8th time on June 11, 2013 and for the 9th time on June 21, 2016, and for the 10th time on June 22, 2017</p>	<p>Article XIII : The Article was regulated on June 21, 1986, amended for the 1st time on June 12, 1995, amended for the 2nd time on May 17, 1997, amended for the 3rd time on June 30, 2003, amended for the 4th time on June 12, 2006, and for the 5th time on June 19, 2008, and for the 6th time on June 19, 2009, and for the 7th time on June 14, 2010, and for the 8th time on June 11, 2013 and for the 9th time on June 21, 2016, and for the 10th time on June 22, 2017, <u>and for the 11th time on June 15, 2018</u></p>	<p>Added revision date</p>

## Elections

### Proposal 1

Proposed by the Board of Directors

Proposal: By-election of the 15th-term independent director of the Company.

Explanation:

1. Due to personal career planning, the 15th-term independent director of the Company Liu, Shun-Ren provided a written notice on March 23 that he will resign on June 30, 2018.
2. According to Article 192-1 of the Company Act and the Company's Articles of Incorporation, the Company should conduct the by-election of an independent director in the 2018 shareholders' meeting. The tenure of the independent director will be from July 1, 2018 to June 30, 2019.
3. According to Article 14 of the Company's Articles of Incorporation, a candidate nomination system for the election of directors (including independent directors) shall be adopted. The list of candidates was reviewed and adopted in the extraordinary meeting of the Board of Directors of the Company on April 23, 2018. For related education and work experience, refer to the table below.

Shareholder's Account No or ID No.	Shareholder and Number of Shares Held	Education and Work Experience
A1222XXXXXX	Tsai, Yen-Chin Number of shares held: 0	<ol style="list-style-type: none"><li>1. Doctor in Accounting, University of California, Los Angeles</li><li>2. Chairman of Department/Institute of Accounting, National Taiwan University</li><li>3. Director, Financial Accounting Standards Committee of Accounting Research and Development Foundation</li><li>4. External Advisor, Listing Department of Taiwan Stock Exchange</li></ol>

4. Please proceed with the election.

Election results:

## **Other Motions**

### **Proposal 1**

Proposed by the Board of Directors

Proposal: Release the Prohibition on the new Director by-election of the 15th-term from Participation in Competitive Business.

Explanation:

1. Pursuant to provisions prescribed in Article 209 of the Articles of Incorporation, the proposal for release the prohibition on the new Director by-election of the 15th-term from participation in competitive business is submitted.
2. The new director of the by-election of the 15th-term is likely to engage in the Company with identical properties of business operated by the Company, or serving as the directors or manager at the business, strategic alliance, or collaboration business reinvested by the Company. Nonetheless such circumstances take into consideration mostly on the overall operational performance and the full utilization of human resource, and hence the prohibition on the directors from participation in competitive business is released from aforementioned regulations, if the part-time duty is required for business during the term and without the damage of company interests.
3. Please proceed with the discussion.

Resolution:

## **Extemporary Motions**

## **Meeting Adjournment**

**Appendix 1****Yulon Motor Co., Ltd.  
Shareholding of Directors**Record date: April 17, 2018  
Unit: Share

Title	Name	Shareholding	Shareholding ratio (%)	Remark
Chairman	Kenneth, K.T. Yen	284,901,045	18.11%	Representative of Tai Yuen Textile Co., Ltd.
Director	Kuo-Rong Chen			
Director	Shin-I Lin	262,228,166	16.67%	Representative of China Motor Corporation
Director	Liang Zhang			
Director	Li-Lien Chen	17,287,844	1.09%	Representative of Yen Tjing-Ling Industrial Development Foundation
Director	Zhen-Xiang Yao			
Independent director	Yi-Hong Hsieh	-	-	
Independent director	Shunren Liu	-	-	
Independent director	Zhongqi Zhou	-		
Total shareholding of directors		539,090,578	564,417,055	

According to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the total shareholding of the Company's directors shall not be less than 2.4%, that is, 37,750,077 shares. The shareholdings of the Company's directors were 564,417,055 shares (35.87%) as of April 17, 2018, in compliance with the regulations. Please refer to the above table for the shareholding of the directors in details.

## **Appendix 2**

### **Yulon Motor Co., Ltd. Rules of Procedure for Shareholders' Meeting**

#### **Article 1**

The shareholders' meeting of the Company is processed in accordance with the Rules of Procedure for Shareholders' Meeting.

#### **Article 2**

The attending shareholders should submit the signature card instead of signing on the register of shareholders; also, the shareholding of the attending shareholders is calculated by counting the signature cards collected.

The shareholding of attendance is based on the signature card submitted, plus the votes exercised by electronic means.

Attendance of the shareholder's meeting and votes should be calculated in accordance with the shareholding.

#### **Article 3**

The Chairman shall call the meeting to order when the shareholding of the attending shareholders represents the majority outstanding shares. If the shareholding of the attending shareholders does not meet the mandatory shareholding at the meeting time, the Chairman may announce to have the meeting postponed, which is limited to two postpones and for less than one-hour in total. If the shareholding of the attending shareholders does not meet the mandatory shareholding after two postpones but more than one thirds of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Article 175 Paragraph 1 of the Company Law. If the shareholding of the attending shareholders is more than one half of the total number of shares issued before the end of the meeting, the Chairman may have the pseudo-resolution presented again in the shareholder's meeting for resolution in accordance with Article 174 of the Company Law.

#### **Article 4**

If the shareholder's meeting is convened by the Board of Directors, the agenda is scheduled by the Board. The meeting should be conducted in accordance with the agenda scheduled and it may not be amended without the resolution reached in the shareholder's meeting.

If the shareholder's meeting is convened by the authorized person other than the Board of Directors, the preceding provision is applicable.

The Chairman may not have the meeting adjourned discretionally before the proposals (including motions) resolved in the preceding agenda. If the Chairman has the meeting adjourned in violation of the Rules of Procedure for Shareholder's Meetings, the attending shareholders may have one shareholder elected as the Chairman to chair the meeting continuously with the majority votes of the attending shareholders.

After the adjournment of the meeting by the Chairman lawfully, shareholders shall not elect another chairman to resume the meeting at the same meeting site or any other location.

#### **Article 5**

Attending shareholders before speaking on the subject must fill out the speech slip, including

shareholder account number, account name, and the subject in details for the Chairman to determine the order of speakers.

Attending shareholders who have speech slips submitted but not speak shall be deemed as silent shareholders. If there is discrepancy found between the text of the speech and the speech slip submitted, the content of the speech shall prevail.

The Chairman may reply to the speaking shareholders personally or by the designated personnel.

#### **Article 6**

Each shareholder (or the representative) may not speak more than twice on the same motion for 5 minutes each time without the consent of the Chairman.

#### **Article 7**

The juristic person that has attended the shareholder's meeting by proxy can authorize only one representative to attend the meeting.

If the juristic person shareholder has two or more representatives assigned to attend the shareholder's meeting, only one of the representatives may speak on the same proposal in accordance with the provision in the preceding paragraph.

#### **Article 8**

The Chairman may have the speaking shareholders who violated the rules of time limit, spoke beyond the scope of the underlying issues, or were impolite silenced.

Attending shareholders may not interfere with the speaking shareholders without the consent of the Chairman and the speaking shareholders. The Chairman will have the violating shareholders stopped.

#### **Article 9**

The Chairman may announce discretionally to have the proposal discussion ended for voting. When necessary, the Chairman may announce to have the proposal discussion terminated.

#### **Article 10**

For the resolution of proposals, unless otherwise provided in the Company Law, the consent of a majority vote of the attending shareholders shall prevail. The motion resolved by the Chairman's consulting the attending shareholders without dissent is deemed as passed and with the same effect as voting. Shareholder has one vote per share

Shareholders may attend the shareholder's meeting by proxy in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meeting of Public Companies" and the related law and regulations.

#### **Article 11**

The Chairman may announce the meeting in recess. If the meeting discussion cannot be completed in one assembly, the shareholder's meeting may resolve to have the meeting resumed in five days without the need of issuing announcements and notices.

#### **Article 12**

When there is an amendment or alternative for the same motion, the Chairman shall have the order of vote, including the original proposal, determined accordingly. If one of the motions

has been passed, the other motions shall be deemed as rejected without the need of further resolution.

#### **Article 13**

The Chairman may direct disciplinary personnel (or security personnel) to help keep the meeting place in order.

The disciplinary personnel (or security personnel) that help keep the meeting place in order should wear an armband with “Marshal” affixed.

#### **Article 14**

The Chairman is allowed to appoint the scrutineers and ballot counting officers, and the scrutineers must be shareholders. Ballot counting result should be announced immediately and with records kept.

#### **Article 15**

If the shareholder’s meeting is convened by the Board of Directors, the Chairman of the Board is to chair the meeting. If the Chairman is on leave or is unable to perform powers for reasons, the Vice Chairman is to chair the meeting. If a Vice Chairman is not appointed or the Vice Chairman is also on leave or is unable to perform duties for reasons, the Chairman is to appoint one of the general directors to chair the meeting. If a representative is not appointed by the Chairman, one of the general directors should be elected to chair the meeting. If the shareholder’s meeting is convened by the other convener other than the Board of Directors, the convener is to chair the meeting. If there are two or more conveners, one of them should be elected to chair the meeting.

#### **Article 16**

The shareholder’s meeting place should be at the Company’s or the suitable locations for the meeting held or for shareholders to attend the meeting conveniently; also, the shareholder’s meeting shall not be started before 9:00 or after 15:00.

#### **Article 17**

The Company may assign the appointed attorney, CPA, or responsible personnel to attend the shareholder’s meeting.

The staff responsible for organizing the shareholder’s meeting shall wear identification badges or armbands.

#### **Article 18**

The entire shareholder’s meeting should be taped in audio or video recording and stored for at least one year.

#### **Article 19**

The matters that are not addressed in the Rules of Procedure for Shareholder’s Meetings should be processed in accordance with the provisions of the Company Law and related law and regulations.

#### **Article 20**

The Rules of Procedure for Shareholder’s Meetings is implemented after the resolution reached in the shareholder’s meeting, so is the amendment.

## **Appendix 3**

### **Yulon Motor Co., Ltd. Articles of Incorporation**

#### **Chapter 1 General rules**

##### **Article 1**

The Company was organized and incorporated in accordance with the Company Law and known as “YULON Motor Co., Ltd.”

##### **Article 2**

The Company’s business operation is as follows:

1. Various automobile and related raw materials, components, molds, jigs, tools, and other parts production, sales, design, testing and inspection, processing, and repairing, Class A auto repair shop, auto components (accessories) sale, auto body facelift and sales, vehicle inspection agency business, and vehicle sales business;
2. Various automobile raw materials and components supplied to Nissan Motor Co., Ltd. and overseas automotive affiliated companies;
3. Vehicle low-power radio-frequency equipment installation, sales, and import/export business;
4. F113070 Telecommunications equipment wholesale business;
5. F213060 Telecommunications equipment retail business;
6. General import/export business (excluding licensing business);
7. Technical consulting and advisory business of the foregoing businesses;
8. General business management consulting. (Excluding CPA service);  
(Excluding securities investment and consulting business)
9. H701010 Residential and building development and rental business;
10. H703010 Plant rental business;
11. H703020 Warehouse rental business;
12. H703030 Office building rental business;
13. ZZ99999 Except for licensing business, all businesses no-prohibited by law;

##### **Article 2-1**

The Company for business needs may have mutual guarantee arranged with the affiliated enterprises.

##### **Article 2-2**

The Company shall not be a shareholder with unlimited liability or a business partner of another company. If the Company is a shareholder with limited liability of another company, the total investment amount of the Company is not subject to the 40% investment threshold restriction of the Company Law.

### **Article 3**

The Company locates in Miaoli County with branches, offices, and factories setup domestically and internationally for business operation. The establishment, change, or repeal of the preceding branches, offices, and factories is per the resolution of the Board.

### **Article 4**

The Company's announcement is to be posted on the Company's local daily newspaper, unless otherwise provided by the securities regulatory authorities.

## **Chapter 2 Stock shares**

### **Article 5**

The Company's authorized capital amounted to NTD20 billion with 2 billion stock shares issued at NTD10 par, in which, the Board is authorized to have the unissued shares issued by installments.

One hundred million shares of the total number of shares issued are reserved for the subscription of stock options, preferred stock with warrants, and corporate bonds with warrants.

### **Article 6**

The Company's shares are ordered, numbered, and detailed with mandatory information, and with the signature or seal of the Chairman and two directors affixed, the stamp of the Company, and then certified for lawful issuance. The Company may have dematerialized stock shares issued; however, must contact the securities centralized depository institutions for registration.

### **Article 7**

The Company has the register of shareholders prepared with the mandatory information included. Shareholders should have the name or title, domicile or residence, and seal template filled in the seal card for the Company's record. The collection of dividends or exercise of all rights in the future shall base on the seal card on file.

The changes made to the register of shareholders are prohibited within 60 days prior to the annual shareholder's meeting, 30 days prior to the extraordinary shareholder's meeting, or 5 days prior to the record date of the Company's distributing dividends or other benefits.

### **Article 8**

The Company's stock is processed in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies," unless otherwise provided by law and regulations.

## **Chapter 3 Shareholder's Meeting**

### **Article 9**

The Company has two types of shareholder's meeting held.

1. Annual shareholder's meeting: It is to be held within 6 months after the fiscal year.
2. Extraordinary shareholder's meeting: It is to be convened in accordance with the Company Law.

#### **Article 10**

Shareholders should be informed of the shareholder's meeting date, time, place, and subject 30 days in advance for the annual shareholder's meeting and 15 days in advance for the extraordinary shareholder's meeting.

#### **Article 11**

The resolutions reached in the shareholder's meeting, unless otherwise provided in the Company Law, must be with the majority votes of the attending shareholders and the shareholding of the attending shareholders is over one half of the total number of shares issued. Shareholders are entitled to per share per vote, unless otherwise provided in the Company Law.

#### **Article 12**

Shareholders who are unable to attend the shareholder's meeting for reasons may issue the Company's proxy with the scope of authorization detailed to commission the representative to attend the meeting. The restrictions and precautions of commission and representation are subject to the provisions of the Company Law. Shareholders may not have a proxy issued in exchange for equivalent consideration. The commission in violation of the requirements is invalid.

#### **Article 13**

The minutes of the shareholder's meeting shall include the meeting date, place, the name of the Chairman, the number of attending shareholders and the votes, the method of resolutions, the essentials of procedure and results, and the signature or seal of the Chairman. The minutes of the shareholder's meeting together with the register of shareholders (signature cards) and proxy should be stored within the Company. The distribution of the minutes of the shareholder's meeting can be processed by notices.

### **Chapter 4 Directors and the Board of Directors**

#### **Article 14**

The Company's Board is with 9~15 directors elected by a nomination system from the director candidate list in the shareholder's meeting for 3-year tenure and eligible for reelection. The total shareholding ratio of all directors is processed in accordance with the securities regulatory authorities.

The number of the Company's independent directors at least 3 seats and the nomination system is adopted to have independent directors elected from the director candidate list.

The professional qualifications, shareholding, part-time job restrictions, nomination and election method, and other compliance matters of the independent directors shall be handled in accordance with the securities regulatory authorities.

The Board of Directors of the Company may establish various functional committees. The regulations governing the exercise of functional committees shall be developed and adopted by the Board of Directors before implementation.

## **Article 15**

For the organization of the Board of Directors, at least three general directors are elected with the consent of the majority attending directors and the attendance of two thirds of the directors. There must be at least one independent director among the general directors and shall not be less than one fifths of the general directors. Chairman and/or Vice Chairman are to be elected among the general directors. If no general director is appointed by the Board of Directors, Chairman and/or Vice Chairman are to be elected among directors the same way.

## **Article 16**

Chairman chairs the shareholder's meeting, the Board meeting, and the General Board meeting internally, and represents the Company externally. The Chairman is responsible for the business operation of the Company. The Vice Chairman is to act on the Chairman's behalf when the Chairman is on leave or unable to exercise powers for reasons. When there is no Vice Chairman appointed or the Vice Chairman is on leave or is unable to exercise powers for reasons, the Chairman is to appoint one General Director to act on his/her behalf. If there is not a General Director appointed, a Director should be appointed to chair the meeting. If a representative is not appointed by the Chairman, one of the General Directors or Directors is elected to chair the meeting.

## **Article 17**

The powers of the Board are as follows:

1. Business policies and decisions;
2. Review and approval of bylaws;
3. Review and approval of budget;
4. The proposed earnings distribution;
5. The proposed capital increase or decrease;
6. Discussion and approval of stock shares issuance;
7. The appointment and dismissal of the key employees;
8. The acquisition and disposal of the Company's material property and real estate;
9. The other powers entrusted in accordance with the law and regulations and resolved in the shareholder's meeting;

## **Article 18**

The Board is to convene a meeting every three-month with the directors notified within the prescribed time period. An extraordinary meeting can be convened for urgent matters or upon the request of a majority of the directors that is to be convened by the Chairman. The convention notice may be informed to the directors by paper, e-mail or fax.

The directors who is unable to attend the meeting for reasons may appoint another director to attend the meeting by proxy that is limited to one representative only.

## **Article 19**

The resolutions of the Board, unless otherwise provided in the Company Law, must be with the attendance of the majority of the Directors and the consent of the majority of the attending

Directors. The minutes of meeting should be signed or sealed by the Chairman and stored within the Company.

#### **Article 20**

If the Company has General Board of Directors organized, the General Board Meeting can be convened by the Chairman at any time while the Board Meeting is in recess. The resolutions reached in the General Board Meeting must be with the attendance of the majority of the General Directors and the consent of the majority of the attending General Directors.

### **Chapter 5 Audit Committee**

#### **Article 21**

The Company established the Audit Committee pursuant to the laws and regulations. The Audit Committee or Audit Committee members shall be responsible for the execution of Company Act, Securities Exchange Act, and other supervisory functions regulated by law.

The supervisor system was deleted on the day of the establishment of Audit Committee by law.

The Audit Committee should be constituted by all independent directors.

The number of members, terms, functions, meeting rules, resources while the Audit Committee exercises and other matters shall be regulated in the Articles of Audit Committee Incorporation.

#### **Article 22**

(Deletion)

#### **Article 23**

(Deletion)

### **Chapter 6 The management and staff**

#### **Article 24**

The Company has one President, Senior Vice President, Vice President, and several managers to be appointed and dismissed by the Board of Directors. The President is to have employees hired or dismissed.

#### **Article 25**

The President leads the managers and department heads to manage the overall business per the instruction of the Chairman and with the assistance of the Senior Vice President and Vice President.

### **Chapter 7 Accounting**

#### **Article 26**

The Company's fiscal year is from January 1 to December 31. At the end of each fiscal year, the Board shall have the following books and statements prepared in accordance with Article 228 of the Company Law and forward to the Audit Committee to audit and propose the report, before acknowledged in the shareholder's meeting.

## **Article 27**

If the Company makes profits for the fiscal year, the profits shall be appropriated for remuneration in the follows:

1. The remuneration for directors may not exceed 0.5% while independent directors may not participate in the distribution of the preceding remuneration.
2. The remuneration for employees may not fall below 0.1%. The preceding remuneration for employees is resolved by the Board of Directors and distributed in the form of stocks or cash. The distribution of remuneration for employees and directors shall be reported to the Shareholder's Meeting.
3. If the Company still has cumulative loss, the amount to make up the loss shall be withheld beforehand, and then the remuneration is distributed in accordance with the previous proportions. The 14th supervisors could still acquire remuneration upon the expiration of term, dismissal or resignation in accordance with the 51st revision on June 11, 2013. The remuneration proportion, remuneration distribution procedure and distribution conditions shall comply with the regulations related to the remuneration for directors.
4. If the Company makes surplus for the fiscal year, apart from making up for the cumulative loss in the past and taxation according to the law, 10% of the legal reserve and special reserve according to the regulations of competent authority shall be appropriated. The balance together with the remaining amount as of the beginning unappropriated earnings shall be the available reserve for distribution.
5. The Company engages in an industry with stable maturity. In consideration of the profit status, funding requirement for future operational plan and changes in industry environment of the Company in addition to taking account of long-term shareholders' equity and long-term financial planning of the Company, the dividend distribution of the Company should not fall below 10% of the available reserve. Dividends are distributed in cash or stock. In particular, the proportion of cash dividend distribution may not fall below 20% of total dividend amount. Finally the Board of Directors proposes the distribution statement to reach resolution at the Shareholder Meeting.

## **Article 28**

The remuneration of the Company's directors is authorized Board of Directors to proposed base on the individual contribution to the Company and the standard of the same trade concerned.

The Company's profit, if any, are applied for the distribution of remuneration to directors in accordance with Article 27 of the Articles of Incorporation..

## **Chapter 8 Appendix**

## **Article 29**

The Company's organizational rules and other by-laws are regulated and authorized separately by the Board of Directors.

### **Article 30**

The matters that are not regulated in the Articles of Incorporation should be processed in accordance with the Company Law and the related laws and regulations.

### **Article 31**

The Articles of Incorporation was established on July 23, 1953.

The 1st amendment was implemented on October 23, 1954.

The 2nd amendment was implemented on June 23, 1956.

The 3rd amendment was implemented on July 20, 1958.

The 4th amendment was implemented on June 29, 1960.

The 5th amendment was implemented on September 28, 1964.

The 6th amendment was implemented on July 5, 1965.

The 7th amendment was implemented on November 14, 1966.

The 8th amendment was implemented on November 14, 1967.

The 9th amendment was implemented on November 27, 1968.

The 10th amendment was implemented on November 28, 1969.

The 11th amendment was implemented on September 29, 1970.

The 12th amendment was implemented on November 29, 1971.

The 13th amendment was implemented on May 31, 1972.

The 14th amendment was implemented on November 30, 1973.

The 15th amendment was implemented on December 12, 1974.

The 16th amendment was implemented on June 30, 1975.

The 17th amendment was implemented on March 18, 1976.

The 18th amendment was implemented on June 16, 1977.

The 19th amendment was implemented on April 19, 1979.

The 20th amendment was implemented on May 2, 1980.

The 21st amendment was implemented on May 2, 1981.

The 22nd amendment was implemented on May 7, 1983.

The 23rd amendment was implemented on June 9, 1984.

The 24th amendment was implemented on June 1, 1985.

The 25th amendment was implemented on August 31, 1985.

The 26th amendment was implemented on June 21, 1986.

The 27th amendment was implemented on June 6, 1987.

The 28th amendment was implemented on June 11, 1988.

The 29th amendment was implemented on June 10, 1989.

The 30th amendment was implemented on December 16, 1989.

The 31st amendment was implemented on May 12, 1990.

The 32nd amendment was implemented on May 25, 1991.

The 33rd amendment was implemented on May 23, 1992.  
The 34th amendment was implemented on May 15, 1993.  
The 35th amendment was implemented on May 7, 1994.  
The 36th amendment was implemented on June 8, 1996.  
The 37th amendment was implemented on May 17, 1997.  
The 38th amendment was implemented on May 9, 1998.  
The 39th amendment was implemented on May 6, 1999.  
The 40th amendment was implemented on May 15, 2000.  
The 41st amendment was implemented on December 8, 2000.  
The 42nd amendment was implemented on May 18, 2001.  
The 43rd amendment was implemented on June 14, 2002.  
The 44th amendment was implemented on June 16, 2004.  
The 45th amendment was implemented on June 13, 2005.  
The 46th amendment was implemented on June 12, 2006.  
The 47th amendment was implemented on June 21, 2007.  
The 48th amendment was implemented on June 19, 2009.  
The 49th amendment was implemented on June 17, 2011.  
The 50th amendment was implemented on June 12, 2012.  
The 51st amendment was implemented on June 11, 2013.  
The 52nd amendment was implemented on June 21, 2016.

## **Appendix 4**

### **Yulon Motor Co., Ltd. Rules for Director Elections**

#### **Article 1**

Elections of directors of the Company shall be conducted in accordance with these Rules.

#### **Article 2**

The Company's directors shall be elected by means of the single open cumulative ballot method. Each share is entitled to votes and equal to number of directors to be elected, and the number of votes may be used together to elect one person or spread out over several persons. Shareholder numbers printed on the ballots may be used instead of recording the names of voting shareholders.

#### **Article 3**

Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel.

#### **Article 4**

The Company's elections of both directors shall be conducted in accordance with the candidate nomination system. The number of directors will be as specified in the Company's Articles of Incorporation. Those receiving ballots representing higher numbers of voting rights will be calculated separately for directors. Elections of independent and non-independent directors shall be conducted together, with the number of elects calculated separately.

When two or more persons receive the same number of votes, thus exceeding the specified number of positions, those receiving ballots representing equal numbers of voting rights shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

#### **Article 5**

The Board of Directors shall prepare separate ballots for directors in accordance with shareholder's account and in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots in accordance with the provision set forth in Article 2 of the Rules (Note: the ballots and meeting manual shall be distributed to the attending shareholders upon the submission of sign-in card at site).

#### **Article 6**

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name and the national identification number of its representative may be entered. When there are multiple representatives, the

names and the national identification number of each respective representative shall be entered.

#### **Article 7**

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared in accordance with provisions set forth in Article 5 of the Rules.
2. Two or more candidates is written on the same ballot.
3. Other words or marks are entered in addition to the candidate's account name, shareholder account number and identity card number.

#### **Article 8**

Candidates are invalid in the event of one of the following conditions during the election:

1. The writing is unclear and indecipherable or has been altered.
2. The candidate whose name entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
3. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
4. A blank ballot or a ballot not including the shareholder's name (Name) or shareholder's number (personal ID number) is placed in the ballot box.

#### **Article 9**

The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chair on the site.

#### **Article 10**

The Board of Directors of the Company shall issue notifications to the persons elected as directors as announced in previous article.

#### **Article 11**

The Rules hereto shall be implemented after approval by a shareholders meeting. The same procedures apply to revision.

The Rules for Director Elections was established on June 30, 1975.

The 1st amendment was implemented on June 21, 1986.

The 2nd amendment was implemented on June 14, 2002.

The 3rd amendment was implemented on June 12, 2006.

The 4th amendment was implemented on June 21, 2016.

## Appendix 5

The impact of stock dividend on the Company's business performance, earnings per share, and shareholder's return on investment ratio:

Item		Year	2017 (Estimated)
Beginning Paid-in capital (in Thousands of NTD)			15,729,199
Current dividend and interest	Cash dividends per share (NTD)		0.58
	Stock dividends from capitalization of earnings (share)		-
	Stock dividend from capitalization of additional paid-in capital (share)		-
Changes in Business Performance	Operating Income (in Thousands of NTD)		Not applicable (Note)
	Operating income increase /decrease ratio from last year		
	Net income (in Thousands of NTD)		
	Net income increase/decrease ratio from last year		
	Earnings per share (NTD)		
	Earnings per share increase/decrease ratio from last year		
	Annual average return on investment ratio (reverse of annual average PE ratio)		
Proforma earnings per share and PE ratio	If capitalized earnings is converted to cash dividends	Proforma earnings per share (NTD)	Not applicable (Note)
		Proforma annual average return on investment ratio	
	If additional paid-in capital is not capitalized	Proforma earnings per share (NTD)	
		Proforma annual average return on investment ratio	
	If additional paid-in capital is not capitalized and capitalized earnings is converted to cash dividends	Proforma earnings per share (NTD)	
		Proforma annual average return on investment ratio	

Note: It is not applicable since there is no stock dividends distributed this year.

## Appendix 6


The necessity and reasonableness for the Company and its subsidiaries to determine the total amount of the endorsement/guarantee to be more than 50% of the net worth of the Company:

- I. The limited amount stipulated in Paragraph III of Article IV of the Company's "Regulations Governing the Making of Endorsements/Guarantees" is as follows:

The total endorsement/guarantee amount of the Company shall not exceed 75% of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 40% of the total endorsement/guarantee amount. The total endorsement/guarantee amount of the Company and its subsidiaries together shall not exceed 100%. The endorsement/guarantee amount for one single enterprise shall not exceed 50% of the total endorsement/guarantee amount.

- II. The Company and its subsidiaries for the development of the proprietary brand, Luxgen, have to invest large funds in the proprietary development of car models, the deployment of distribution network (including Mainland China), and horizontal and peripheral development of the Company in order to ensure the success of the proprietary brand in the highly competitive automobile market; therefore, the total endorsement/guarantee amount more than 50% of the net worth of the Company is necessary and reasonable.



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