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YULON MOTOR CO., LTD.

Investor Conference

2016/11/22

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Agenda

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Agenda	Time	Speaker
Opening	5 min	Chen Hsiang Yao -President
Financial Results & Future Prospects	20 min	Lo Wen Yi –General Management
Q&A	25 min	Chen Hsiang Yao -President

Financial Results

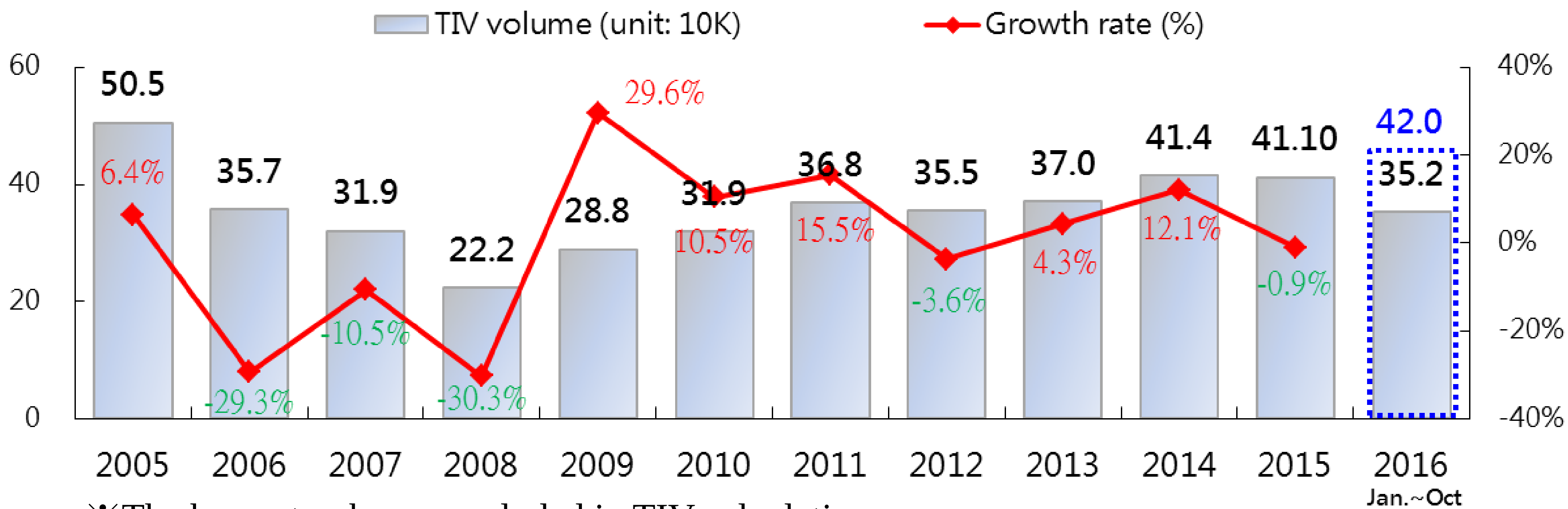
2016/1~10 Sales Volume in Taiwan

人・車・生活

Brand	Domestic /Imported	Sales volume 2015/1~10 Units	Sales volume 2015/1~10 Total	Sales volume 2016/1~10 Units	Sales volume 2016/1~10 Total	Growth rate 2016/1~10	Growth rate Total	Market share % 2016/1~10	Market share % 2015/1~10	Market share % %
YULON Nissan Co.	Domestic	32,889	35,540	34,754	37,372	5.67%	5.2%	10.6%	10.6%	0.0%
	Imported	2,651		2,618		-1.24%				
LUXGEN	Domestic	12,847	12,847	13,572	13,572	5.64%	5.6%	3.9%	3.8%	0.0%
	Imported	-		-						
MITSUBISHI	Domestic	35,034	35,516	39,105	39,384	11.62%	10.9%	11.2%	10.6%	0.6%
	Imported	482		279		-42.12%				
YULON GROUP subtotal	Domestic	80,770	83,903	87,431	90,328	8.25%	7.7%	25.7%	25.0%	0.7%
	Imported	3,133		2,897		-7.53%				
TOYOTA	Domestic	79,456	107,865	82,046	115,934	3.26%	7.5%	32.9%	32.1%	0.8%
	Imported	28,409		33,888		19.29%				
FORD	Domestic	16,220	18,418	13,516	15,790	-16.67%	-14.3%	4.5%	5.5%	-1.0%
	Imported	2,198		2,274		3.46%				
MAZDA	Domestic	2,800	17,019	1,292	19,436	-53.86%	14.2%	5.5%	5.1%	0.5%
	Imported	14,219		18,144		27.60%				
HONDA	Domestic	20,601	22,462	19,090	21,585	-7.33%	-3.9%	6.1%	6.7%	-0.6%
	Imported	1,861		2,495		34.07%				
HYUNDAI	Domestic	9,840	10,949	9,990	10,849	1.52%	-0.9%	3.1%	3.3%	-0.2%
	Imported	1,109		859		-22.54%				
BENZ&BMW	Domestic	-	35,918	-	38,222	0.00%	6.4%	10.9%	10.7%	0.2%
	Imported	35,918		38,222		6.41%				
OTHERS	Domestic	761	39,321	1,499	39,953	96.98%	1.6%	11.3%	11.7%	-0.4%
	Imported	38,560		38,454		-0.27%				
Total market	Domestic	210,448	335,855	214,864	352,097	2.10%	4.8%	100%	100%	
	Imported	125,407		137,233		9.43%				

The sales volume in 2016/1~10 increased by 4.8% year on year, including 2.10% increase of domestic cars and 9.43% increase of imported cars, accounting for domestic cars and imported cars of 61%:39%. The growing reasons of imported cars sales volume include (1) the price gap between domestic cars and imported cars is shrinking (2) there are more marketing resources in imported cars.

Auto Sales in Taiwan Through the Years

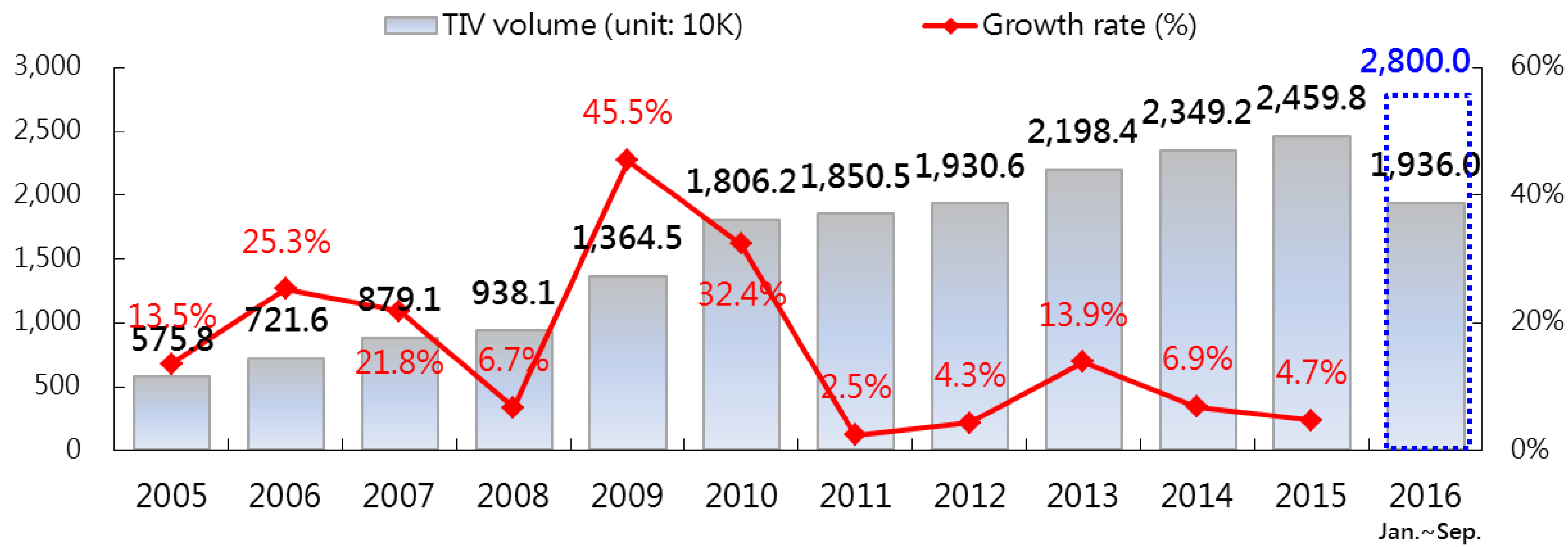


※The heavy trucks are excluded in TIV calculation

1. Several analysts have downgraded its forecast for global economic since this year; however, the economic of America is relatively stable, the deflation in the Euro zone is easing, and China and the Southeast Asian countries maintain a stable momentum, indicating that the global economic is relatively stable. The "Chung-Hua Institution for Economic Research "and "Taiwan institute of Economic Research" predicted economic growth rate of Taiwan are 1.03% and 0.77% in 2016, respectively. The "Directorate General of Budget" forecast the economic growth rate of Taiwan is 2.06% in the third quarter of 2016.

2. Although the economic growth is not optimistic, the advantage of commodity tax subsidy policy and going with the sales promotion from vehicle vendors in this year, Taiwan's overall auto market sales volume in 2016 are expected to reach 420,000 units (The heavy trucks are excluded).

Auto Sales in China Through the Years



※The heavy trucks are excluded in TIV calculation

Notes:

1. The sales volume in 2016/1~9 of China is 19,360K units, and 13.50% growth rate year on year.
2. Although the economic growth rate of the third quarter in 2016 in China is 6.7% (in three consecutive quarters), being the lowest period since the global financial crisis. Recently, China implement to reduce capacities and stocks, the economic growth could be slowdown quarter by quarter in 2016.
3. The Continental overall auto market forecast is expected to reach 28.000 million units in 2016, increased by 3.402 million compared to 2015 (24.598 million units), the growth rate is about 13.83%.

Consolidated Comprehensive Income Statements

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(NT $ Million)

	16 Q3		15 Q3		Difference	
	Amount	%	Amount	%	Amount	%
Operating revenue	82,365	100%	89,730	100%	(7,365)	-8%
Gross profit	14,058	17%	13,995	16%	63	0%
Operating income	**1,656**	**2%**	**1,174**	**1%**	**482**	**41%**
Nonoperating income and expense	1,488	2%	2,380	3%	(892)	-37%
Consolidated income before income tax	3,143	4%	3,554	4%	(411)	-12%
Consolidated net income	**2,073**	**3%**	**2,708**	**3%**	(635)	**-23%**
Other comprehensive income, net	(1,363)	-2%	(60)	0%	(1,303)	-2172%
Total comprehensive income	**710**	**1%**	**2,648**	**3%**	(1,938)	**-73%**
EPS	1.27		1.57			

1. The operating income increased 482 millions compared with last year, due to the decreasing of sales volume and the increasing of promotion fee in Dongfeng Yulon in 2015.

2. The non-operating net income decreased 892 million compared with last year is mainly due to the decreasing profits of Dongfeng Yulon and TAI YUEN TEXTILE CO.

3. Other comprehensive loss 1,303 million compared with last year is mainly due to the conversion of foreign exchange differences of financial statements of foreign operations loss 1,233 million (the exchange rate in 2016 Q3 of RMB to TWD depreciates 7.1% compared to last year appreciates 0.08%).

Consolidated Balance Sheets

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(NT $ Million)

	16 3Q		15 4Q		Difference	
	Amount	%	Amount	%	Amount	%
Current assets	132,670	60%	122,158	58%	10,512	9%
Noncurrent assets	87,411	40%	89,844	42%	(2,433)	-3%
Total Assets	**220,081**	**100%**	**212,002**	**100%**	8,079	4%
Current liabilities	128,652	58%	118,623	56%	10,029	8%
Noncurrent liabilities	11,624	5%	12,197	6%	(573)	-5%
Total Liabilities	**140,276**	**64%**	**130,820**	**62%**	9,456	7%
Total Equity	**79,805**	**36%**	**81,182**	**38%**	(1,377)	-2%

1. The Debt to Assets ratio of the third quarter of 2016 is 64%, and would decrease to 30% with deduction of short-term borrowings and short-term bills payable 74,900 millions for TAC and dealers. (Comparing with the fourth quarter of 2015, this ratio after deducting of debt mentioned above for TAC and dealers was 30%.)
2. The financial structure of Yulon Motor:
   A. The current debt ration is 11%, mainly for the payments for subcontractor’s materials.
   B. The ratio of the stockholders equity to the total assets is 89% (70.8 billion to 80.0 billion).
   C. The book value per share is NT$ 45.03.
   D. The company’s financial structure is fairly good.

Luxgen Sales Volume in China and Taiwan

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(in units)

Brand Company	14Y Actaual	15Y Actaual	15Y growth rate	16Y Forcast	16Y forcast growth rate	17Y Forcast	17Y forcast growth rate
Luxgen	16,687	15,563	-6.7%	16,616	6.8%	18,000	8.3%
Dongfeng Yulon Motor	52,203	60,400	15.7%	42,000	-30.5%	50,200	19.5%
Total	68,890	75,963	10.3%	58,616	-22.8%	68,200	16.4%

1. Luxgen
   - A. In 2015, Luxgen continued improving fuel consumption and quality, fulfilling differentiated consumer demand, and continue constructing differentiated sales and service, the total sales volume reached annual sales of 15,563 units in 2015.
   - B. Driven by introducing new models(S3、Welcab) and enhancing customer satisfaction, the sales volume is 13,639 units, exceeded the same period in 2015.
2. Dongfeng Yulon Motor
   - A. Driven by the introduction of new models, Dongfeng Yulon keep improving product and service quality in 2015,increasing 15.7% compared with 2014.
   - B. Because the China auto market price competition, the sales force of new model S3, which introduced in Sep., has not fully launched and other effects, there is a recession in 2016/1~10.
   - C. Dongfeng Yulon will committed to enhance the Cost-Performance and introduction of new model(S3), so the total sales volume estimated to increase in 2017.

Real Estate Development - Xindian

1. Estimated progress of commercial district development :

- Design development is now in progress, expected to completed in Dec. 2016 ,and then contract out the construction design.
- Getting approval letter of capacity transfer in 2016Q4, then progress in urban design and environmental impact assessment.
- Progressing in urban design and environmental impact assessment and getting construction permit in 2017Q1.
- Beginning construction in 2017Q2
- Getting building use permit in 2020Q2 and began operation in 2020Q4.

2. Estimated progress of park district development:

- Getting construction permit in Nov. 2016, and contracting out the construction design now.
- Estimated begin construction in 2017Q1.

Q & A