



Stock Code: 2201

2017 Annual Shareholder's Meeting Agenda Handbook

Date: June 22, 2017

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



Table of Contents

I. Meeting agenda.....	1
II. Reporting Items.....	2
III. Acknowledgements.....	9
IV. Discussions.....	36
V. Extemporary Motions.....	59

Appendix

1. Shareholding of Directors	60
2. Rules of Procedure for Shareholders' Meeting	61
3. Articles of Incorporation	64
4. The impact of stock dividend on the Company's business performance, earnings per share, and return on shareholder's investment ratio.....	72
5. 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	73

Yulon Motor Co., Ltd.

2017 Annual Shareholder's Meeting Agenda

Meeting Time: 9:00am on June 22, 2017 (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 2016 Business Report and Prospect.
 2. The 2016 Audit Committee' Report.
 3. The 2016 Distribution of Employees' and Directors' Remuneration.
 4. The Status of Endorsement and Guarantee.
 5. The Consolidated Report of the Company.
 - IV. Acknowledgements:
 1. Acknowledge the 2016 Financial Statements.
 2. Acknowledge the 2016 Earnings Distribution.
 - V. Discussions:
 1. Amendments to the Company's "Procedures for Acquisition and Disposal of Assets."
 2. Amendments to the Company's "Procedures for Derivatives Trading."
 3. Amendments to the Company's "Procedures for Endorsements and Guarantees."
 - VI. Extemporary Motions
 - VII. Meeting Adjournment

Reporting Items

I. The 2016 Business Report and Prospect



Dear Shareholders, welcome to the 2017 annual shareholders' meeting of Yulon Motor Co., Ltd.

A total of 430,400 vehicles (excluding heavy vehicles) were sold last year as a result of the subsidy policy for trade-in promoted by the government, representing 4.8% growth over the year of 2015. The summary of operational performance last year is as follows:

I. Sales profit:

The Company had sold a total of 61,083 branded vehicles, including Nissan brand (including infiniti) for 44,723 vehicles and Luxgen for 16,360 vehicles. In terms of operating profit, the total operating income last year was NT\$39.998 billion, the operating profit was NT\$1.803 billion, the net non-operating income was NT\$7 million, the net income before tax was NT\$1.81 billion, and the EPS was NT\$0.91 per share.

II. The development of Luxgen brand:

Luxgen was awarded with the "Reputable Brand" Gold Award by the trustworthy "Reader's Digest." The "U6 TURBO ECO HYPER" has been awarded with the "Best Domestic SUV" for three consecutive years since 2014 by Car News "World Card of the Year Awards." The multifunctional high-end Luxgen SUV V7 and the S3 RV integrated with Sedan and RV feature for a "Cross Sedan" concept was launched in 2016 in response to the aging society. In addition, in order to give consumers a surprising, real, and interactive car purchase experience, Luxgen had the first global high-tech LUXGEN GENIUS+ camp constructed in Neihu to sufficiently demonstrate the service spirit of LUXGEN marketing differentiation. The sale of Luxgen in Taiwan is expected to exceed 18,000 vehicles in 2017.

III. Expansion of Chinese market:

There were more than 28 million vehicles sold in Chinese market in 2016 that was the highest sale worldwide for 8 consecutive years; also, the sale in 2017 is expected to maintain a moderate growth with a sale of 29 million vehicles, of which, SUV and MPV will continue to grow rapidly. For Luxgen brand, 40,500 vehicles were sold and was ranked No. 1 by J.D.POWER New Car Quality (IQS) proprietary brand survey, indicating a great growth opportunity in Chinese market. The new SUV 6 and small SUV 5 were demonstrated at the exhibition in Shanghai in April with the hope of achieving the sales target in 2017.

IV. Promotion of environmentally friendly new energy vehicles:

In response to the trend of global green environment, Yulon is committed to the research and development of green energy vehicles and actively cooperates with the government to start the electric vehicle pilot program. There are currently 280 units of MPV EV+ in trial run. Following the LUXGEN7 MPV EV+, the S3 EV+ that had been in development for many years will also be produced and launched in 2017 that has set a new milestone for the development of electric car in Taiwan.

V. Activating the use of assets:

Hsintien Yulon City that was designed by the internationally renowned designer, Zaha Hadid, is currently with the relevant design completed and the review implemented. The construction of the first commercial base is expected to be started in 2017 and the shopping mall will be successfully opened for business by the end of 2020 in order to create a new landmark in Taipei Metropolitan.

VI. Implementing corporate social responsibility:

In response to the “Voluntary green electricity price system” advocated by the Ministry of Economic Affairs in 2015, the Company had become the first auto enterprise to subscribe green electricity in Taiwan. At the same time, the Company had promoted its own energy-saving improvement experience to the subcontractors with 23 subcontractors educated in 2016 to have a green manufacturing supply chain integrated and promoted in order to promote energy-saving and carbon emission reduction continuously with an achievement that is equivalent to the carbon emission reduction of 20.5 Daan Forest Park. At the same time, for the fulfillment of corporate social responsibility, in addition to the donations made for the Tainan earthquake disaster in early 2016, seven Luxgen vehicles were donated to the domestic colleges and universities at the end of 2016 to deepen the cooperation between industry and academia.

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 18 years consecutively. The “Employer Liability Insurance” premium has been donated to Sanyi Township Cleaning Team, which has benefited 26,000 people so far in order to provide them with a job security and livelihood protection.

In addition, sponsored the “2016 New Taipei City Cup IPC Asian Wheelchair Sports Dance Tournament” and sponsored paper windmill troupe to perform in Sanyi Township for the enjoyment of Sanyi folks free of charge that was truly an art feast for the benefit of local residents.

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 “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, to help the home-alone senior citizens in the community, and to bring joys to the children in the orphanage.

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 2016 Audit Committee' Report

The Board of Directors has prepared the 2016 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 2017 Annual Shareholders' Meeting

Yulon Motor Co., Ltd.

Audit Committee Convenor : Yi-Hong Hsieh



Date: March 27, 2017

3. The 2016 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%. The objects of remuneration of the 14th Board of Directors include directors and supervisors, while independent directors are excluded from the participation of distribution.
- (2) The 2016 annual profit for the Company was NTD1.82 billion before distributing the employees' and directors' remuneration. Pursuant to the provisions after the revision of the Articles of Incorporation, the Company has already appropriated 0.12% of the profits as compensation for employees, in the total amount of NTD2.18 million. Additionally, 0.5% of the profit was appropriated as the remuneration for directors, in the total amount of NTD9.10 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 NTD61.70 million in January, 2017.

4. The Status of Endorsement and Guarantee

On December 31 2016, the total endorsement and guarantee line was NTD 11.9 billion while the actual endorsement and guarantee amount was NTD5.33 billion and the maximum amount provided to single entity was NTD 4.54 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, 2016

In Thousands of NTD

Entity Name	Guarantee Line	Actual Drawdown Amount
ESINN CO., LTD	690,000	270,000
UNIVATION MOTOR PHILIPPINES, INC.	1,678,508	524,656
Luxgen Motor Co., Ltd.	7,400,000	4,540,000
Yu Yuen Development Co., Ltd.	600,000	0
Yu Ching Business Co., Ltd.	1,000,000	0
Sin Chi Co., Ltd.	500,000	0
Total	11,868,508	5,334,656

5. Consolidated report of the Company

The Company planned to make Yulon Construction Company the main platform for the development of real estate. Therefore, the Company had the 98.6% equity of Yulon Construction Company held by Yujin Company, Yupong Company, and Yonghan Company de-capitalized and delivered to the newly established Yuping Company in June 2016. The Company paid NT\$34,485 thousand to acquire the remaining 1.4% equity of Yulon Construction Company. The Company had Yuping Company merged in accordance with Article 19 of the Mergers and Acquisitions Act in July 2016. The Company held 100% equity of Yulon Construction Company after the merger.

Acknowledgements

Proposal 1

Proposed by the Board of Directors

Proposal: Acknowledge the 2016 Financial Statements

Explanation:

1. Yulon's 2016 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 2016 Business Report (please refer to from page 2 to page 4) and Financial Statements (please refer to from page 10 to page 33) 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 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 \$5,733,470 thousand, and the molds equipment used for the production of the vehicle model was \$3,457,831 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, 2016, allowance for impairment loss of trade receivable was NT\$2,073,883 thousand, representing 2.73% 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, 2016 was NT\$1,228,225 thousand, representing 22.09% 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, 2016 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 27, 2017

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, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,610,313	8	\$ 7,235,569	9
Financial assets at fair value through profit or loss - current	449,091	1	3,578,574	4
Debt investments with no active market - current	3,989,600	5	2,417,500	3
Note and trade receivable	67,566	-	78,611	-
Notes and trade receivable from related parties	384,964	-	798,894	1
Other receivables	502,298	1	403,553	1
Inventories	3,987,664	5	4,020,898	5
Other current assets	<u>417,331</u>	<u>1</u>	<u>323,681</u>	<u>-</u>
Total current assets	<u>16,408,827</u>	<u>21</u>	<u>18,857,280</u>	<u>23</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	48,519	-	50,690	-
Financial assets measured at cost - non-current	27,931	-	28,411	-
Investments accounted for using equity method	41,322,203	52	42,989,654	53
Property, plant and equipment	6,238,698	8	6,225,143	8
Investment properties	10,598,281	13	10,593,099	13
Other intangible assets	68,642	-	85,860	-
Deferred tax assets	515,318	1	529,902	1
Other non-current assets	<u>4,017,663</u>	<u>5</u>	<u>1,270,965</u>	<u>2</u>
Total non-current assets	<u>62,837,255</u>	<u>79</u>	<u>61,773,724</u>	<u>77</u>
TOTAL	<u>\$ 79,246,082</u>	<u>100</u>	<u>\$ 80,631,004</u>	<u>100</u>

YULON MOTOR COMPANY LTD.

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2016		2015	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Trade payables	\$ 2,112,501	3	\$ 1,600,295	2
Trade payables to related parties	1,205,530	1	1,431,476	2
Other payables	1,300,853	2	1,220,028	1
Current tax liabilities	492,765	1	28,984	-
Other current liabilities	<u>163,492</u>	<u>-</u>	<u>65,144</u>	<u>-</u>
Total current liabilities	<u>5,275,141</u>	<u>7</u>	<u>4,345,927</u>	<u>5</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2,518,765	3	2,537,470	3
Net defined benefit liabilities - non-current	1,227,654	1	1,665,449	2
Deposits received	457,891	1	528,185	1
Credit balance on the carrying value of investments accounted for using the equity method	23,216	-	51,660	-
Other non-current liabilities	<u>28,869</u>	<u>-</u>	<u>24,389</u>	<u>-</u>
Total non-current liabilities	<u>4,256,395</u>	<u>5</u>	<u>4,807,153</u>	<u>6</u>
Total liabilities	<u>9,531,536</u>	<u>12</u>	<u>9,153,080</u>	<u>11</u>
EQUITY				
Share capital				
Ordinary shares	<u>15,729,199</u>	<u>20</u>	<u>15,729,199</u>	<u>20</u>
Capital surplus	<u>6,664,910</u>	<u>8</u>	<u>6,650,489</u>	<u>8</u>
Retained earnings				
Legal reserve	7,715,818	10	7,380,610	9
Special reserve	36,373,565	46	35,373,565	44
Unappropriated earnings	<u>2,375,157</u>	<u>3</u>	<u>4,157,281</u>	<u>5</u>
Total retained earnings	<u>46,464,540</u>	<u>59</u>	<u>46,911,456</u>	<u>58</u>
Other equity				
Exchange differences on translating foreign operations	75,147	-	1,484,838	2
Unrealized gain on available-for-sale financial assets	1,157,054	2	1,078,584	1
Cash flow hedges	<u>-</u>	<u>-</u>	<u>(338)</u>	<u>-</u>
	<u>1,232,201</u>	<u>2</u>	<u>2,563,084</u>	<u>3</u>
Treasury shares	<u>(376,304)</u>	<u>(1)</u>	<u>(376,304)</u>	<u>-</u>
Total equity	<u>69,714,546</u>	<u>88</u>	<u>71,477,924</u>	<u>89</u>
TOTAL	<u>\$ 79,246,082</u>	<u>100</u>	<u>\$ 80,631,004</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 38,827,272	97	\$ 37,230,532	96
Other operating revenue	<u>1,170,752</u>	<u>3</u>	<u>1,595,585</u>	<u>4</u>
Total operating revenue	<u>39,998,024</u>	<u>100</u>	<u>38,826,117</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	36,674,883	92	35,347,076	91
Other operating cost	<u>331,390</u>	<u>1</u>	<u>499,280</u>	<u>1</u>
Total operating costs	<u>37,006,273</u>	<u>93</u>	<u>35,846,356</u>	<u>92</u>
GROSS PROFIT	2,991,751	7	2,979,761	8
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>7,171</u>	<u>-</u>	<u>8,786</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,998,922</u>	<u>7</u>	<u>2,988,547</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing expenses	134,455	-	135,490	-
General and administrative expenses	889,213	2	908,891	2
Research and development expenses	<u>172,399</u>	<u>1</u>	<u>159,304</u>	<u>1</u>
Total operating expenses	<u>1,196,067</u>	<u>3</u>	<u>1,203,685</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,802,855</u>	<u>4</u>	<u>1,784,862</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSE				
Share of (losses)/gains of subsidiaries, associates and joint ventures	(178,709)	-	1,135,997	3
Other income	49,723	-	52,250	-
Interest income	56,158	-	85,435	-
Finance costs	(1,933)	-	(1,536)	-
Other gains	<u>81,548</u>	<u>-</u>	<u>458,492</u>	<u>1</u>
Total non-operating income	<u>6,787</u>	<u>-</u>	<u>1,730,638</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	1,809,642	4	3,515,500	9
INCOME TAX EXPENSE	<u>474,939</u>	<u>1</u>	<u>163,422</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,334,703</u>	<u>3</u>	<u>3,352,078</u>	<u>9</u>

(Continued)

YULON MOTOR COMPANY LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (174,573)	(1)	\$ (110,940)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(104,791)</u>	<u>-</u>	<u>(121,805)</u>	<u>(1)</u>
	<u>(279,364)</u>	<u>(1)</u>	<u>(232,745)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	(2,170)	-	(24,200)	-
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(1,328,713)</u>	<u>(3)</u>	<u>(519,772)</u>	<u>(1)</u>
	<u>(1,330,883)</u>	<u>(3)</u>	<u>(543,972)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(1,610,247)</u>	<u>(4)</u>	<u>(776,717)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (275,544)</u>	<u>(1)</u>	<u>\$ 2,575,361</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 20)				
Basic	<u>\$ 0.91</u>		<u>\$ 2.29</u>	
Diluted	<u>\$ 0.91</u>		<u>\$ 2.29</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Share Capital	Capital Surplus	<u>Retained</u> Legal Reserve
BALANCE, JANUARY 1, 2015	\$ 15,729,199	\$ 6,561,260	\$ 7,159,575
Appropriation of 2014 earnings			
Legal reserve	-	-	221,035
Special reserve	-	-	-
Cash dividends distributed by the Company (NT\$0.7 per share)	-	-	-
Change in equity from investments in subsidiaries, associates and joint ventures accounted for by using equity method	-	89,229	-
Net profit for the year ended December 31, 2015	-	-	-
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-
Total comprehensive income for the year ended December 31, 2015	-	-	-
BALANCE, DECEMBER 31, 2015	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	<u>\$ 15,729,199</u>	<u>\$ 6,664,910</u>	<u>\$ 7,715,818</u>

YULON MOTOR COMPANY LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

Earnings	Unappropriated 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			
\$ 35,373,565	\$ 3,446,670	\$ 1,721,402	\$ 1,386,228	\$ (574)	\$ (376,304)	\$ 71,001,021
-	(221,035)	-	-	-	-	-
-	(1,000,000)	-	-	-	-	(1,000,000)
-	(1,101,044)	-	-	-	-	(1,101,044)
-	(86,643)	-	-	-	-	2,586
-	3,352,078	-	-	-	-	3,352,078
-	(232,745)	(236,564)	(307,644)	236	-	(776,717)
-	3,119,333	(236,564)	(307,644)	236	-	2,575,361
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)
<u>\$ 36,373,565</u>	<u>\$ 2,375,157</u>	<u>\$ 75,147</u>	<u>\$ 1,157,054</u>	<u>\$ -</u>	<u>\$ (376,304)</u>	<u>\$ 69,714,546</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,809,642	\$ 3,515,500
Adjustments for:		
Depreciation expenses	392,296	423,730
Realized gain on the transactions with subsidiaries, associates and joint ventures	(267,814)	(43,078)
Share of loss/(profit) of subsidiaries, associates and joint ventures	178,709	(1,135,997)
Interest income	(56,158)	(85,435)
Amortization expenses	45,225	47,204
Net (profit)/loss on foreign currency exchange	(39,743)	21,728
Reversal of impairment loss recognized on non-financial assets	(17,854)	(117,658)
Dividend income	(11,235)	(12,988)
Finance costs	1,933	1,536
Gain on disposal of property, plant and equipment	(1,010)	(388)
Loss/(gain) on disposal of financial assets	350	(418,101)
Impairment loss recognized on financial assets	-	14,361
Changes in operating assets and liabilities		
Financial assets held for trading	3,129,483	(2,585,664)
Notes and trade receivable	421,690	(360,751)
Other receivables	(88,434)	178,864
Inventories	51,088	639,510
Other current assets	(260,488)	(187,544)
Trade payables	325,135	(138,346)
Other payables	77,370	70,491
Other current liabilities	98,346	(1,143)
Net defined benefit liabilities - non-current	(612,368)	(48,341)
Other operating liabilities	4,479	(502)
Cash generated from (used in) generated from operations	5,180,642	(223,012)
Interest received	45,847	78,128
Interest paid	(1,933)	(1,536)
Income tax paid	(15,279)	(259,625)
Net cash generated from (used in) operating activities	<u>5,209,277</u>	<u>(406,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	3,195,541	6,041,482
Acquisition of associates	(3,183,519)	(4,255,456)
Acquisition of other non-current assets	(2,746,698)	(208,057)
Acquisition of debt investments with no active market	(1,572,100)	(1,824,111)
Acquisition of property, plant and equipment	(250,603)	(128,357)
Proceeds from the capital reduction of investments accounted for using the equity method	221,617	1,001,829
Acquisition of intangible assets	(22,147)	(7,649)
Proceeds from disposal of property, plant and equipment	1,558	506
Proceeds from disposal of financial assets measured at cost	130	530,041

(Continued)

YULON MOTOR COMPANY LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Proceeds from disposal of subsidiaries, associates and joint ventures	\$ -	\$ 2,597
Purchase of available-for-sale financial assets	-	(334)
Decrease in refundable deposits	<u>-</u>	<u>20</u>
Net cash (used in)/generated from investing activities	<u>(4,356,221)</u>	<u>1,152,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(1,412,173)	(1,099,035)
Decrease in guarantee deposits received	<u>(70,293)</u>	<u>(113,086)</u>
Net cash used in financing activities	<u>(1,482,466)</u>	<u>(1,212,121)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>4,154</u>	<u>3,848</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(625,256)	(461,807)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,235,569</u>	<u>7,697,376</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,610,313</u>	<u>\$ 7,235,569</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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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, 2016 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\$5,733,470 thousand, and the molds equipment used for the production of the vehicle model was NT\$3,457,831 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, 2016, allowance for impairment loss of trade receivable was NT\$2,073,883 thousand, representing 2.54% of total trade receivable; impairment loss of trade receivable recognized in the consolidated statement of comprehensive income for the year ended December 31, 2016 was NT\$1,228,225 thousand, representing 7.24% 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, 2016 and 2015 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, 2016 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 27, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,082,251	8	\$ 16,305,124	8
Financial assets at fair value through profit or loss - current	2,130,637	1	4,748,673	2
Available-for-sale financial assets - current	185,593	-	177,134	-
Derivative financial assets for hedging - current	-	-	1,135	-
Financial assets measured at cost - current	3,010	-	3,010	-
Debt investments with no active market - current	5,247,872	2	6,015,982	3
Notes and trade receivable	77,439,788	35	64,452,907	30
Notes and trade receivable from related parties	2,011,383	1	2,712,133	1
Finance lease receivables	12,648,089	6	10,089,962	5
Other receivables	2,047,097	1	2,592,732	1
Inventories	7,571,563	3	9,413,898	5
Other current assets	<u>5,217,552</u>	<u>2</u>	<u>5,645,105</u>	<u>3</u>
Total current assets	<u>131,584,835</u>	<u>59</u>	<u>122,157,795</u>	<u>58</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	423,474	-	383,315	-
Held-to-maturity financial assets - non-current	17,095	-	17,557	-
Financial assets measured at cost - non-current	155,305	-	195,679	-
Debt investment with no active market - non-current	9,750	-	13,788	-
Investments accounted for using the equity method	30,476,626	14	33,814,732	16
Property, plant and equipment	33,663,144	15	33,217,023	16
Investment properties	10,813,104	5	10,710,609	5
Goodwill	882	-	882	-
Vehicle model development cost	5,733,470	3	6,101,837	3
Other intangible assets	396,701	-	402,235	-
Deferred tax assets	1,092,327	1	1,071,551	-
Long-term finance lease receivables	1,019,284	-	1,177,911	1
Refundable deposits	416,913	-	564,900	-
Long-term prepayments for lease	1,093,773	1	696,937	-
Other non-current assets	<u>4,374,958</u>	<u>2</u>	<u>1,475,339</u>	<u>1</u>
Total non-current assets	<u>89,686,806</u>	<u>41</u>	<u>89,844,295</u>	<u>42</u>
TOTAL	<u>\$ 221,271,641</u>	<u>100</u>	<u>\$ 212,002,090</u>	<u>100</u>

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2016		2015	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings	\$ 39,492,732	18	\$ 32,841,275	16
Short-term bills payable	54,317,680	25	48,764,136	23
Financial liabilities at fair value through profit or loss - current	1,145	-	2,904	-
Derivative financial liabilities for hedging - current	-	-	1,856	-
Notes and trade payables	5,754,665	3	5,069,622	2
Notes and trade payable to related parties	7,615,136	3	6,376,815	3
Other payables	8,461,606	4	10,002,379	5
Current tax liabilities	902,548	-	371,851	-
Provisions - current	334,057	-	427,172	-
Current portion of long-term borrowings	1,197,964	1	534,512	-
Current portion of bonds payable	3,000,000	1	3,368,076	2
Other current liabilities	<u>11,303,884</u>	<u>5</u>	<u>10,862,695</u>	<u>5</u>
Total current liabilities	<u>132,381,417</u>	<u>60</u>	<u>118,623,293</u>	<u>56</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	927,511	-	1,654,456	1
Provisions - non-current	851,333	-	760,456	-
Deferred tax liabilities	3,557,823	2	3,550,254	2
Long-term trade payables	2,100,000	1	3,318,976	2
Deferred revenue - non-current	23,980	-	73,438	-
Net defined benefit liabilities - non-current	1,729,048	1	2,274,547	1
Other non-current liabilities	<u>637,709</u>	<u>-</u>	<u>565,027</u>	<u>-</u>
Total non-current liabilities	<u>9,827,404</u>	<u>4</u>	<u>12,197,154</u>	<u>6</u>
Total liabilities	<u>142,208,821</u>	<u>64</u>	<u>130,820,447</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	<u>15,729,199</u>	<u>7</u>	<u>15,729,199</u>	<u>8</u>
Capital surplus	<u>6,664,910</u>	<u>3</u>	<u>6,650,489</u>	<u>3</u>
Retained earnings				
Legal reserve	7,715,818	4	7,380,610	3
Special reserve	36,373,565	16	35,373,565	17
Unappropriated earnings	<u>2,375,157</u>	<u>1</u>	<u>4,157,281</u>	<u>2</u>
Total retained earnings	<u>46,464,540</u>	<u>21</u>	<u>46,911,456</u>	<u>22</u>
Other equity				
Exchange differences on translating foreign operations	75,147	-	1,484,838	1
Unrealized gain on available-for-sale financial assets	1,157,054	1	1,078,584	-
Cash flow hedges	-	-	(338)	-
Total other equity	<u>1,232,201</u>	<u>1</u>	<u>2,563,084</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	69,714,546	32	71,477,924	34
NON-CONTROLLING INTERESTS	<u>8,348,274</u>	<u>4</u>	<u>9,703,719</u>	<u>4</u>
Total equity	<u>78,062,820</u>	<u>36</u>	<u>81,181,643</u>	<u>38</u>
TOTAL	<u>\$ 220,271,641</u>	<u>100</u>	<u>\$ 212,002,090</u>	<u>100</u>

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

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 93,771,672	84	\$ 104,559,739	85
Investment income	53,001	-	184,752	-
Rental revenue	7,240,012	6	7,316,199	6
Service revenue	2,889,172	3	2,588,634	2
Other operating revenue	<u>8,212,828</u>	<u>7</u>	<u>7,876,497</u>	<u>7</u>
Total operating revenue	<u>112,166,685</u>	<u>100</u>	<u>122,525,821</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	83,341,209	74	92,198,859	75
Investment cost	9,193	-	48,662	-
Rental cost	6,019,283	5	6,109,297	5
Service cost	1,616,212	2	1,648,566	1
Other operating cost	<u>1,980,970</u>	<u>2</u>	<u>4,560,359</u>	<u>4</u>
Total operating costs	<u>92,966,867</u>	<u>83</u>	<u>104,565,743</u>	<u>85</u>
GROSS PROFIT	19,199,818	17	17,960,078	15
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES				
	<u>157</u>	<u>-</u>	<u>1,088</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>19,199,975</u>	<u>17</u>	<u>17,961,166</u>	<u>15</u>
OPERATING EXPENSES				
Selling and marketing expenses	8,673,135	8	9,406,878	8
General and administrative expenses	8,008,870	7	7,979,829	7
Research and development expenses	<u>294,075</u>	<u>-</u>	<u>294,503</u>	<u>-</u>
Total operating expenses	<u>16,976,080</u>	<u>15</u>	<u>17,681,210</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>2,223,895</u>	<u>2</u>	<u>279,956</u>	<u>-</u>
NON-OPERATING INCOME				
Other income (Notes 4 and 28)	975,089	1	728,187	1
Other losses (Notes 4 and 28)	(654,866)	(1)	(285,627)	-
Finance costs (Notes 4 and 28)	(313,359)	-	(405,615)	-
Share of profit of associates and joint ventures accounted for by the equity method	620,057	1	4,124,231	3
Interest income	<u>213,079</u>	<u>-</u>	<u>296,745</u>	<u>-</u>
Total non-operating income	<u>840,000</u>	<u>1</u>	<u>4,457,921</u>	<u>4</u>

(Continued)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 3,063,895	3	\$ 4,737,877	4
INCOME TAX EXPENSE	<u>1,284,672</u>	<u>1</u>	<u>818,585</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,779,223</u>	<u>2</u>	<u>3,919,292</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(238,341)	-	(149,053)	-
Share of the other comprehensive losses of associates and joint ventures accounted for by the equity method	<u>(51,239)</u>	<u>-</u>	<u>(95,968)</u>	<u>-</u>
	<u>(289,580)</u>	<u>-</u>	<u>(245,021)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation operations	(484,623)	(1)	(94,632)	-
Unrealized gain (loss) on available-for-sale financial assets	93,799	-	(343,246)	(1)
Cash flow hedges	721	-	479	-
Share of the other comprehensive of associates and joint ventures accounted for by the equity method	<u>(1,248,489)</u>	<u>(1)</u>	<u>(225,269)</u>	<u>-</u>
	<u>(1,638,592)</u>	<u>(2)</u>	<u>(662,668)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(1,928,172)</u>	<u>(2)</u>	<u>(907,689)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (148,949)</u>	<u>-</u>	<u>\$ 3,011,603</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,334,703	1	\$ 3,352,078	3
Non-controlling interests	<u>444,520</u>	<u>1</u>	<u>567,214</u>	<u>-</u>
	<u>\$ 1,779,223</u>	<u>2</u>	<u>\$ 3,919,292</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (275,544)	-	\$ 2,575,361	2
Non-controlling interests	<u>126,595</u>	<u>-</u>	<u>436,242</u>	<u>-</u>
	<u>\$ (148,949)</u>	<u>-</u>	<u>\$ 3,011,603</u>	<u>2</u>
EARNINGS PER SHARE				
Basic	<u>\$0.91</u>		<u>\$2.29</u>	
Diluted	<u>\$0.91</u>		<u>\$2.29</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, 2016 AND 2015 (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, 2015	\$ 15,729,199	\$ 6,561,260	\$ 7,159,575	\$ 34,373,565
Appropriation of the 2014 earnings				
Legal reserve	-	-	221,035	-
Special reserve	-	-	-	1,000,000
Cash dividends distributed by the Company (NT\$0.7 per share)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-
Change in equity from investments in associates and joint ventures accounted for by using equity method	-	14,850	-	-
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	-	74,379	-	-
Change in non-controlling interests	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-
Total comprehensive income for the year ended December 31, 2015	-	-	-	-
BALANCE, DECEMBER 31, 2015	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	<u>\$ 15,729,199</u>	<u>\$ 6,664,910</u>	<u>\$ 7,715,818</u>	<u>\$ 36,373,565</u>

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

Owners of the Company		Other Equity						
<u>Earnings</u> <u>Unappropriated</u> <u>Earnings</u>	<u>Exchange</u> <u>Differences on</u> <u>Other Equity</u> <u>Exchange</u> <u>Differences on</u> <u>Translating</u> <u>Foreign</u> <u>Operations</u>	<u>Unrealized</u> <u>Gain (Loss) on</u> <u>Unrealized</u> <u>Gain (Loss) on</u> <u>Available-for-</u> <u>sale Financial</u> <u>Assets</u>	<u>Cash Flow</u> <u>Hedges</u>	<u>Treasury</u> <u>Shares</u>	<u>Total</u>	<u>Non-</u> <u>controlling</u> <u>Interests</u>	<u>Total Equity</u>	
\$ 3,446,670	\$ 1,721,402	\$ 1,386,228	\$ (574)	\$ (376,304)	\$ 70,001,021	\$ 10,147,699	\$ 80,148,720	
(221,035)	-	-	-	-	-	-	-	
(1,000,000)	-	-	-	-	-	-	-	
(1,101,044)	-	-	-	-	(1,101,044)	-	(1,101,044)	
-	-	-	-	-	-	(1,015,688)	(1,015,688)	
(38)	-	-	-	-	14,812	99	14,911	
(86,605)	-	-	-	-	(12,226)	12,226	-	
-	-	-	-	-	-	123,141	123,141	
3,352,078	-	-	-	-	3,352,078	567,214	3,919,292	
<u>(232,745)</u>	<u>(236,564)</u>	<u>(307,644)</u>	<u>236</u>	<u>-</u>	<u>(776,717)</u>	<u>(130,972)</u>	<u>(907,689)</u>	
<u>3,119,333</u>	<u>(236,564)</u>	<u>(307,644)</u>	<u>236</u>	<u>-</u>	<u>2,575,361</u>	<u>436,242</u>	<u>3,011,603</u>	
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	
<u>(279,364)</u>	<u>(1,409,691)</u>	<u>78,470</u>	<u>338</u>	<u>-</u>	<u>(1,610,247)</u>	<u>(317,925)</u>	<u>(1,928,172)</u>	
<u>1,055,339</u>	<u>(1,409,691)</u>	<u>78,470</u>	<u>338</u>	<u>-</u>	<u>(275,544)</u>	<u>126,595</u>	<u>(148,949)</u>	
<u>\$ 2,375,157</u>	<u>\$ 75,147</u>	<u>\$ 1,157,054</u>	<u>\$ -</u>	<u>\$ (376,304)</u>	<u>\$ 69,714,546</u>	<u>\$ 9,348,274</u>	<u>\$ 79,062,820</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,063,895	\$ 4,737,877
Adjustments for:		
Interest income	(7,179,641)	(6,564,502)
Depreciation expenses	6,731,963	6,554,683
Impairment loss recognized on trade receivables	1,439,397	1,066,945
Finance costs	1,236,913	1,318,726
Net loss on foreign currency exchange	1,152,229	123,984
Amortization expenses	852,767	791,983
Share of profit of associates and joint ventures accounted for by the equity method	(610,865)	(4,133,829)
Impairment loss recognized on non-financial assets	147,943	2,665,278
Recognition of provisions	115,621	273,934
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss and retirement	(58,343)	(13,942)
Dividend income	(54,142)	(65,898)
Realized gain on the transactions with associates and joint ventures accounted for by the equity method	(32,697)	(4,941)
Gain on disposal of financial assets	(27,742)	(574,804)
Gain on disposal of investment properties	(20,054)	-
Loss on disposal of property, plant and equipment	3,445	20,104
Impairment loss recognized on financial assets	11,844	75,455
Net loss on disposal of intangible assets	-	1,573
Changes in operating assets and liabilities		
Financial assets held for trading	1,848,138	(1,847,650)
Notes and trade receivable	(13,700,239)	(8,792,475)
Other receivables	(44,299)	339,230
Inventories	1,787,181	1,289,516
Prepayments and other current assets	145,999	119,363
Finance lease receivables	(3,511,859)	(2,561,765)
Available-for-operating-sale leased assets	(4,561,225)	(4,787,485)
Other operating assets	(183,788)	(45,520)
Notes and trade payables	2,673,890	1,073,870
Other payables	(4,032,260)	(3,306,998)
Provisions	(117,912)	(233,571)
Other current liabilities	96,682	(892,552)
Accrued pension liabilities	(783,840)	(44,391)
Deferred revenue	(34,468)	(65,712)
Other operating liabilities	19,961	(22,497)
Cash used in operations	(13,625,506)	(13,506,011)
Interest received	6,983,887	6,593,752
Interest paid	(1,198,670)	(1,382,107)
Income tax paid	(718,454)	(939,742)
Net cash used in operating activities	<u>(8,558,743)</u>	<u>(9,234,108)</u>

(Continued)

YULON MOTOR COMPANY LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	\$ (3,828,379)	\$ (2,667,079)
Proceeds on sale of financial assets at fair value through profit or loss	5,713,504	6,090,628
Purchase of financial assets at fair value through profit or loss	(4,891,290)	(6,729,095)
Payments for other non-current assets	(2,746,698)	(208,057)
Dividend received	2,661,954	5,221,098
Proceeds from disposal of property, plant and equipment	769,462	1,002,522
Proceeds on sale of debt investments with no active market	753,981	-
(Increase) decrease in prepayments for real estate development	(412,667)	96,994
Payments for intangible assets	(178,111)	(224,352)
Decrease (increase) in refundable deposits	121,290	(69,825)
Proceeds on sale of available-for-sale financial assets	89,354	436,374
Proceeds on investment properties	44,038	-
Proceeds on sale of financial assets measured at cost	43,617	667,002
Purchase of available-for-sale financial assets	(18,151)	(2,419)
Net cash outflow on acquisition of subsidiaries	(13,630)	(68,615)
Acquisition of associates	(8,746)	(59,901)
Proceeds from the capital reduction of financial assets measured at cost	1,302	655
Acquisition of financial assets measured at cost	(782)	(77,811)
Purchase of debt investments with no active market	-	(4,167,081)
Proceeds from the capital reduction by an associate	-	32,400
Disposal of investments accounted for using equity method	-	789
Net cash used in investing activities	<u>(1,899,952)</u>	<u>(725,773)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	10,407,251	6,689,607
Proceeds from short-term bills payable	7,904,146	9,225,714
Repayment of short-term borrowings	(2,733,632)	(4,735,019)
Dividends paid	(2,438,631)	(2,116,732)
Repayment of short-term bills payable	(2,304,786)	(2,102,830)
Proceeds from guarantee deposits received	781,955	138,387
Repayment of long-term borrowings	(214,839)	(121,706)
Proceeds from long-term borrowings	151,346	306,379
Change in non-controlling interests	107,731	(226,760)
Net cash generated from financing activities	<u>11,660,541</u>	<u>7,057,040</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(424,719)</u>	<u>(138,596)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 777,127	\$ (3,041,437)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,305,124</u>	<u>19,346,561</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,082,251</u>	<u>\$ 16,305,124</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 2016 Earnings Distribution

Explanation:

1. In accordance with the 2016 financial statements, the net profit for the year is about NTD1.33 billion and an earnings per share is NTD0.91. 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 2016 earnings distribution statement is proposed in accordance with the Article 27 of the Articles of Incorporation. Please refer to page 35 for the Distribution Statement.
2. NTD 0.5 per share will be distributed as shareholders' cash dividend for 2016 and the distribution date will be scheduled on July 26, 2017 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.
2016 Earnings Distribution Statement



In NTD

Item	Subtotal	Total
Distributable amount		2,375,157,261
Undistributed earnings of prior period	1,406,445,216	
Less: Disposition (or cancellation) of Treasury shares debited to retained earnings	0	
Less: Long-term equity investment adjusted to retained earnings	(86,626,583)	
Less: The re-measured amount of defined benefit plans recognized in retained earnings	(279,364,485)	
Adjusted undistributed earnings	1,040,454,148	
Net income	1,334,703,113	
Subtotal	2,375,157,261	
Distribution items		1,919,930,266
Legal reserve (10%)	133,470,311	
Special reserve – appropriated according to the amount debited to shareholder’s equipment lawfully	0	
Distribution of shareholders dividends - Cash dividends (NTD 0.90 per share)	786,459,955	
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		455,226,995


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.

Note 3: According to Article XXVII of the Articles of Association, the distribution of earnings, if any, after the final account of the Company, is to be arranged with cash dividend or stock dividend paid. The amount of dividend is to be proposed by the Board of Directors and resolved in the shareholders’ meeting.

Chairman: 

President: 

Chief Accountant: 

Discussions

Proposal 1

Proposed by the Board of Directors

Proposal: Amendments to the Company's "Procedures for Acquisition and Disposal of Assets."

Explanation:

1. The relevant provisions of the Company's "Procedures for the Acquisition or Disposal of Assets" are to be amended in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" amended according to FSC.Jen.Far.Tzi No. 1060001296 Order dated February 9, 2016 by the Financial Supervisory Commission. Please refer to from page 37 to page 46 for the comparison table before and after revisions.
2. Please proceed with the discussion.

Resolution:

**Comparison Table for the “Procedures for Acquisition and Disposal of Assets”
Before and After Revision**

Before the Revision	After the Revision	Remark
<p>Article VIII: For the Company’s acquisition or disposal of real estate or equipment, except for the transactions conducted with the government institution, proprietary land construction, leased land construction, or the acquisition or disposal of machinery equipment for business operation, for an amount exceeding 20% of the Company’s paid-in capital or exceeding NT\$300 million, an appraisal report should be obtained from the professional appraiser before the event date in compliance with the following requirements:</p>	<p>Article VIII: For the Company’s acquisition or disposal of real estate or equipment, except for the transactions conducted with the government institution, proprietary land construction, leased land construction, or the acquisition or disposal of machinery equipment for business operation, for an amount exceeding 20% of the Company’s paid-in capital or exceeding NT\$300 million, an appraisal report should be obtained from the professional appraiser before the event date in compliance with the following requirements:</p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>
<p>Article IX: The Company for the acquisition or disposal of securities shall obtain the most recent financial statements of the target company that were audited or reviewed by the independent auditor before the event date for reference in assessing the transaction price. In addition, if it is for a transaction amount over 20% of the Company’s paid-in capital or NT\$300 million, the independent auditor shall express an opinion on the reasonableness of the transaction price before the event date. If a report of an expert is needed by the independent auditor for reference, it is to be processed in accordance with Generally Accepted Auditing Standards No. 20 of the R.O.C. Accounting Research and Development Foundation. <u>Except for those complying with the following provisions or the securities with a public offer in an active market,</u></p>	<p>Article IX: The Company for the acquisition or disposal of securities shall obtain the most recent financial statements of the target company that were audited or reviewed by the independent auditor before the event date for reference in assessing the transaction price. In addition, if it is for a transaction amount over 20% of the Company’s paid-in capital or NT\$300 million, the independent auditor shall express an opinion on the reasonableness of the transaction price before the event date. If a report of an expert is needed by the independent auditor for reference, it is to be processed in accordance with Generally Accepted Auditing Standards No. 20 of the R.O.C. Accounting Research and Development Foundation. <u>The securities with market price available or for those otherwise regulated by the Financial Supervisory</u></p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>

Before the Revision	After the Revision	Remark
<p>I. <u>The incorporation by sponsorship or public offering with cash paid to obtain securities.</u></p> <p>II. <u>Subscribe the securities issued at par value for the cash capitalization of the underlying company in accordance with the relevant laws and regulations.</u></p> <p>III. <u>Subscribe the securities issued for the cash capitalization of the 100% invested company.</u></p> <p>IV. <u>The listed, OTC, or emerging stock shares traded at the Stock Exchange or the business place of the securities firms.</u></p> <p>V. <u>The bonds and purchase / reverse repurchase bonds.</u></p> <p>VI. <u>Domestic and foreign funds</u></p> <p>VII. <u>The acquisition or disposal of the listed (OTC) stock shares is processed in accordance with the Rules Governing the Acquisition or Disposal of the Listed (OTC) Securities of the Stock Exchange or Taipei Exchange (TPEX).</u></p> <p>VIII. <u>Obtained by subscribing stock shares for the cash capitalization of the public company and the obtained securities are not private placement securities.</u></p> <p>IX. <u>Apply to purchase funds before the funds established in accordance with Paragraph I of Article XI of the Securities Investment Trust and Consultation Law and the FSC(IV).Tzi No. 0930005249 Order dated November 1, 2004.</u></p> <p>X. <u>Subscription or redemption of domestic private fund, as the investment strategy stated in the</u></p>	<p><u>Commission are not subject to such requirement.</u></p>	

Before the Revision	After the Revision	Remark
<p><u>trust contract, except for the non-written-off related instrument position of the securities credit transaction, the rest is with the same investment range as the public offered funds.</u></p>		
<p>Article X: The Company for the acquisition or disposal of membership card or intangible assets for a transaction amount over 20% of the Company's paid-in capital or NT\$300 million, except for the transactions conducted with government institutions, shall obtain the most recent financial statements of the target company that were audited or reviewed by the independent auditor before the event date for reference in assessing the transaction price in accordance with Generally Accepted Auditing Standards No. 20 of the R.O.C. Accounting Research and Development Foundation.</p>	<p>Article X: The Company for the acquisition or disposal of membership card or intangible assets for a transaction amount over 20% of the Company's paid-in capital or NT\$300 million, except for the transactions conducted with government institutions, shall obtain the most recent financial statements of the target company that were audited or reviewed by the independent auditor before the event date for reference in assessing the transaction price in accordance with Generally Accepted Auditing Standards No. 20 of the R.O.C. Accounting Research and Development Foundation.</p>	<p>Articles are amended in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>
<p>Article XIII: When intends to acquire or dispose of real property from or to a related party, or intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NTD300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the</p>	<p>Article XIII: For the acquisition or disposal of real estate with the related party by the Company, or, for the acquisition or disposal of other assets other than the real estate with the related party by the Company for an amount over 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, except for the purchase and sale of the bonds, repurchase / reverse repurchase bonds, and requisition or repurchase of the money market fund issued by <u>the domestic securities investment and trust industry, the following information should be</u></p>	<p>Articles are amended in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the amendments to the authorities of</p>

Before the Revision	After the Revision	Remark
<p>following matters <u>have been approved by the Board of Directors and recognized by the supervisors:</u></p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article. 7. Restrictive covenants and other important stipulations associated with the transaction. <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 herein, and "within the preceding year" as used</p>	<p><u>submitted to the Audit Committee for the approval of the majority of the members and to the Board of Directors</u></p> <p>for resolutions in order to have the trade contract signed and payment made:</p> <ol style="list-style-type: none"> I. The purpose, necessity, and expected benefits of the acquisition or disposal of assets II. The reasons for selecting the related party as the counterparty III. Assess the reasonableness of the expected trade terms for the acquisition of real estate from the related party in accordance with Article XIV and Article XV. IV. The original acquisition date and price of the related party, the counterparty, and the relationship between the Company and the related party V. The monthly cash income and expense forecast within one year from the expected contracting month, and assess the necessity of the transaction and the reasonableness of the fund application. VI. The appraisal report issued by the professional appraiser or the opinion of the independent auditor obtained in accordance with the provisions in the preceding paragraph. VII. The restrictions on the transaction and other important contractual matters <p>The computation of the transaction amount in the preceding paragraph should be processed in accordance with</p>	<p>the Audit Committee.</p>

Before the Revision	After the Revision	Remark
<p>herein refers to the year preceding the date of occurrence of the current transaction. Items that <u>have been approved by the Board of Directors and recognized by the supervisors</u> need not be counted toward the transaction amount.</p>	<p>Paragraph II of Article XXVI; also, the so-called “in one year” shall be within 1 year in principle prior to this transaction date. Also, the portion that has been <u>presented to the Audit Committed with the consent of the majority of the members obtained in accordance with the Procedures and resolved by the Board of Directors is exempted.</u></p> <p>For the acquisition or disposal of equipment for business operation between the Company and its subsidiaries, the Board of Directors may authorize the Chairman to have it processed within the prescribed amount and then presented in the most recent board meeting for recognition in accordance with Item VI of Paragraph I of Article V.</p> <p>The opinions of the independent directors should be considered comprehensively when the proposal is presented in the Board meeting by the Company for discussion in accordance with the provisions in Paragraph I. The objections or reservations, if any, of an independent director should be documented in the minutes of board meeting.</p> <p><u>If the proposal in Paragraph I has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all Directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p> <p><u>The so-called “all Audit Committee members” and “all directors” in the</u></p>	

Before the Revision	After the Revision	Remark
	<u>preceding paragraph refer to all the incumbents.</u>	
<p>Article XVIII: When processing merger, settlement, acquisition, or share transfer, the Company shall appoint an accountant, attorney, or securities underwriter to express an opinion on the reasonableness of the stock conversion ratio, the purchase price, or the allotment of the cash dividend or other properties to shareholders before convening the board meeting and then presented in the board meeting for discussion.</p>	<p>Article XVIII: When processing merger, settlement, acquisition, or share transfer, the Company shall appoint an accountant, attorney, or securities underwriter to express an opinion on the reasonableness of the stock conversion ratio, the purchase price, or the allotment of the cash dividend or other properties to shareholders before convening the board meeting and then presented in the board meeting for discussion. <u>If the public company has directly or indirectly held 100% of the issued shares or the total capital stock of the subsidiary, or the public company directly or indirectly held 100% of the issued shares or the total capital stock of the merged subsidiaries, it is not necessary to obtain the aforementioned professional opinion on the reasonableness of the merger,</u> settlement, acquisition, or share transfer.</p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>
<p>Article XXVI: The acquisition or disposal of assets by the Company with any of the following situations should be reported on the website designated by the competent authorities in the described format according to the nature of the event within 2 days from the event date.</p> <p>I. The acquisition or disposal of real estate with the related party, or, for the acquisition or disposal of assets other than the real estate with the related party is for an amount over</p>	<p>Article XXVI: The acquisition or disposal of assets by the Company with any of the following situations should be reported on the website designated by the competent authorities in the described format according to the nature of the event within 2 days from the event date.</p> <p>I. The acquisition or disposal of real estate with the related party, or, for the acquisition or disposal of assets other than the real estate with the related party is for an amount over</p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>

Before the Revision	After the Revision	Remark
<p>20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, except for the purchase and sale of the bonds, repurchase / reverse repurchase bonds, and requisition or repurchase of the money market fund issued by the domestic securities investment and trust industry.</p> <p>II. Process merge, settlement, acquisition, or share transfer.</p> <p>III. The trading loss of the financial derivatives reached the ceiling amount defined for the consolidated contracts or separated contract in the “Procedures for the Trading of Financial Derivatives.”</p> <p>IV. The assets trade, the claims disposed by financial institutions, or the investment in Mainland China, other than the <u>three</u> transactions stated in the preceding paragraph, for an amount over 20% of the paid-in capital or NT\$300 million, but except for the following transactions:</p> <p>(I) Bonds trade</p> <p>(II) The repurchase / reverse repurchase bonds, and requisition or repurchase of the domestic money market fund issued by the domestic securities investment and trust industry</p> <p>(III) The acquisition or disposal of assets that refers to equipment used for business operation, traded with a non-related party</p>	<p>20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, except for the purchase and sale of the bonds, repurchase / reverse repurchase bonds, and requisition or repurchase of the money market fund issued by the domestic securities investment and trust industry.</p> <p>II. Process merge, settlement, acquisition, or share transfer.</p> <p>III. The trading loss of the financial derivatives reached the ceiling amount defined for the consolidated contracts or separated contract in the “Procedures for the Trading of Financial Derivatives.”</p> <p><u>IV.</u> The acquisition or disposal of assets that refers to equipment used for business operation, traded with a non-related party for an amount over <u>NT\$1 billion</u></p> <p><u>V.</u> For the acquisition of real estate by the proprietary land construction, leased land construction, joint construction - unit sharing program, joint construction – ratio sharing program, and joint construction – sales sharing program, the Company is expected to invest for an amount over NT\$500 million.</p> <p><u>VI.</u> The assets trade, the claims disposed by financial institutions, or the investment in Mainland China, other than the five transactions stated in the preceding paragraph, for an amount over 20% of the paid-in capital or NT\$300</p>	

Before the Revision	After the Revision	Remark
<p>for an amount <u>not over</u> NT\$500 million</p> <p>(IV) For the acquisition of real estate by the proprietary land construction, leased land construction, joint construction - unit sharing program, joint construction – ratio sharing program, and joint construction – sales sharing program, the Company is expected to invest for an amount <u>not over</u> NT\$500 million.</p> <p>The aforementioned transaction amount is computed as follows:</p> <p>I. Amount of each transaction</p> <p>II. The cumulative amount of the same subject matter acquired or disposed with the same counterparty within one year</p> <p>III. The cumulative amount of the real estate in the same development plan acquired or disposed (the amount of acquisition or disposition accumulated separately) within one year</p> <p>The cumulative amount of the same securities acquired or disposed (the amount of acquisition or disposition accumulated separately) within one year</p> <p>The aforementioned “in one year” shall be within 1 year in principle prior to this transaction date and the portion that has been announced in accordance with the Procedures is excluded from the computation. The Company shall enter into the information reporting website</p>	<p>million, but except for the following transactions:</p> <p>(I) Bonds trade</p> <p>(II) The repurchase / reverse repurchase bonds, and requisition or repurchase of the domestic money market fund <u>issued by the domestic securities investment and trust industry</u></p> <p>The aforementioned transaction amount is computed as follows:</p> <p>I. Amount of each transaction</p> <p>II. The cumulative amount of the same subject matter acquired or disposed with the same counterparty within one year</p> <p>III. The cumulative amount of the real estate in the same development plan acquired or disposed (the amount of acquisition or disposition accumulated separately) within one year</p> <p>The cumulative amount of the same securities acquired or disposed (the amount of acquisition or disposition accumulated separately) within one year</p> <p>The aforementioned “in one year” shall be within 1 year in principle prior to this transaction date and the portion that has been announced in accordance with the Procedures is excluded from the computation. The Company shall enter into the information reporting website designated by the competent authorities on a monthly basis to report the last month derivative transactions of the Company and the subsidiaries of the</p>	

Before the Revision	After the Revision	Remark
<p>designated by the competent authorities on a monthly basis to report the last month derivative transactions of the Company and the subsidiaries of the non-public companies in the designated format before the 10th day of each month.</p> <p>The mandatory disclosures of the Company with any error or omission found at the time of announcement should be corrected with all the items reported and filed again.</p>	<p>non-public companies in the designated format before the 10th day of each month.</p> <p>The mandatory disclosures of the Company with any error or omission found at the time of announcement <u>should be corrected within 2 days from the discovering date</u> and with all the items reported and filed again.</p>	
<p>Article XXIX: The Procedures approved by the <u>Audit Committee members of the Company</u> should be presented to the Board of Directors for resolutions and proposed in the Shareholders’ meeting for approval before implementation, so is the amendment. In the event of any objection raised by the directors with records documented or in a written statement, the Company shall have such objection of the directors forwarded to the Audit Committee.</p> <p>The opinions of the independent directors should be considered comprehensively when the Procedures for the acquisition or disposal of assets are presented in the Board meeting for discussion. The objections or reservations, if any, of an independent director should be documented in the minutes of board meeting.</p>	<p>Article XXIX: The Procedures <u>approved by the majority of Audit Committee members of the Company</u> should be presented to <u>the Board of Directors for resolutions and proposed in the Shareholders’ meeting for approval before implementation, so is the amendment.</u></p> <p>The opinions of the independent directors should be considered comprehensively when the Procedures for the acquisition or disposal of assets are presented in the Board meeting for discussion. The objections or reservations, if any, of an independent director should be documented in the minutes of board meeting.</p> <p><u>If the proposal in Paragraph I has not been approved by the majority of Audit Committee members, it can be resolved with the approval of more than two thirds of all Directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p> <p><u>The so-called “all Audit Committee members” and “all directors” in the preceding paragraph refer to all the incumbents.</u></p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the amendments to the authorities of the Audit Committee.</p>

Before the Revision	After the Revision	Remark
<p>Article XXIX-1</p> <p>If the Company’s acquisition or disposal of assets must be resolved by the Board of Directors in accordance with the enacted Procedures or other law and regulations. <u>In the event of any objection raised by the directors with records documented or in a written statement, the Company shall have such objection of the directors forwarded to the Audit Committee.</u></p> <p>The opinions of the independent directors should be considered comprehensively when the acquisition or disposal of assets transaction is presented in the Board meeting for discussion. The objections or reservations, if any, of an independent director should be documented in the minutes of board meeting.</p>	<p>Article XXIX-1</p> <p>If the Company’s acquisition or disposal of assets must be resolved by the Board of Directors in accordance with the enacted Procedures or other law and regulations, <u>it must be with the consent of the majority of the Audit Committee members before being presented to the Board of Directors for resolutions.</u></p> <p>The opinions of the independent directors should be considered comprehensively when the acquisition or disposal of assets transaction is presented in the Board meeting for discussion. The objections or reservations, if any, of an independent director should be documented in the minutes of board meeting.</p> <p><u>The provisions of Paragraph III and Paragraph IV of Article XXIX are applicable to Paragraph I referred to above.</u></p>	<p>Articles are amended in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the amendments to the authorities of the Audit Committee.</p>
<p>Article XXX</p> <p>The Procedures was regulated on June 30, 2003, amended for the 1st time on June 12, 2006, amended for the 2nd time on June 21, 2007, amended for the 3rd time on June 19, 2009, amended for the 4th time on June 14, 2010, and for the 5th time on June 12, 2012, and for the 6th time on June 19, 2014, and for the 7th time on June 21, 2016.</p>	<p>Article XXX</p> <p>The Procedures was regulated on June 30, 2003, amended for the 1st time on June 12, 2006, amended for the 2nd time on June 21, 2007, amended for the 3rd time on June 19, 2009, amended for the 4th time on June 14, 2010, and for the 5th time on June 12, 2012, and for the 6th time on June 19, 2014, and for the 7th time on June 21, 2016, <u>and for the 8th time on June 22, 2017.</u></p>	<p>Added revision date</p>

Proposal 2

Proposed by the Board of Directors

Proposal: Amendments to the Company's "Procedures for Derivatives Trading."

Explanation:

1. The Company's "Procedures for the Trading of Financial Derivatives" is to be amended in response to the law and regulations, the Company's existing organizational structures, and the actual process of engaging in derivatives transactions.
2. The amendment as follows:
 - (I) Level of Authority chart: The level of authority for the cumulative transaction amount is added.
 - (II) The name of each department is revised to match the department name of the current organizational structure.
 - (III) The transaction process, the job description of staff, and the amendments to the presentation procedure
 - (IV) Authorize the President as the management responsible for performing the regular assessment.
3. Please refer to from page 48 to page 57 for the comparison table before and after revisions.
4. Please proceed with the discussion.

Resolution:

**Comparison Table for the “Procedures for Derivatives Trading”
Before and After Revision**

NO.	Before the Revision	After the Revision	Remark
3.	Financial derivatives in the Procedures refer to the forward contracts, option contracts, futures contracts, leveraged margin contracts, swap contracts, and a compound contract derived from the above contracts with its value derived from assets, interest rates, exchange rate, index, or other benefits. The forward contracts exclude insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts.	Financial derivatives in the Procedures refer to the forward contracts, option contracts <u>(excluding option writer contract)</u> , futures contracts, leveraged margin contracts, swap contracts, and a compound contract derived from the above contracts with its value derived from assets, interest rates, exchange rate, index, or other benefits. The forward contracts exclude insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts.	The option writer contract is not underwritten due to its high risk.
4.1.1	<u>International financial markets are treacherous and volatile that cannot be predicted easily.</u> The Company’s engaging in financial derivative transactions is to avoid the risks related to the Company’s business operations and then to have the position adjusted with the hedging tools used flexibly and to fully grasp the foreign exchange market information, and strengthen the forecast of the exchange rate and interest rate and the responsive measures for reference in order to facilitate the decision-making.	The Company’s engaging in financial derivative transactions is to avoid the risks related to the Company’s business operations and then to have the position adjusted with the hedging tools used flexibly and to fully grasp the foreign exchange market information, and strengthen the forecast of the exchange rate and interest rate and the responsive measures for reference in order to facilitate the decision-making. <u>However, the trade-oriented operation can be initiated adequately depending on the market and the company’s cash flow.</u>	1. Text revision 2. Addition is made depending on the need of the Company. Implement trade-oriented operations adequately.
4.1.2.1	The foreign exchange operation team is formed by <u>the traders of Financial Management Section, Section Chief, Finance Manager, Vice President, President, and Vice Chairman</u> head to regularly	The foreign exchange operation team is formed <u>by the trader, the trading unit, and the finance department</u> head to regularly plan and review the amount of foreign exchange operations and related	Adjust the assignment of the team members according to the current

NO.	Before the Revision	After the Revision	Remark
	plan and review the amount of foreign exchange operations and related matters. The team members need to control and understand the influential factors to the exchange rates and interest rate in order to operate the financial instruments flexibly.	matters. The team members need to control and understand the influential factors to the exchange rates and interest rate in order to operate the financial instruments flexibly.	operation.
4.1.2.2	Confirmation personnel: <u>In order to achieve a sound internal control, the Finance Department should designate an independent transaction confirmation staff to work with the bank settlement department.</u> to check the relevant matters itemized and to document the internal transaction records.	Confirmation personnel: <u>Be responsible for working with the corresponding institution to check the relevant matters itemized and to document the internal transaction records.</u>	Revise the terms of authority.
4.1.2.3	Settlement staff: <u>The Financial Management Section shall, depending on the needs of fund arrangement, appoint one settlement staff to fill out the foreign exchange settlement notice in accordance with the foreign exchange transaction notice upon the expiration of the transaction contract; also, notify the accounting department to initiate the accounting treatment and to arrange the payment and settlement matters.</u>	Settlement staff: <u>Be responsible for the settlement of derivatives transactions, and regularly review the status of cash flow to ensure that the contract can be settled on schedule.</u>	Revise the terms of authority.
4.1.2.4	Accounting personnel: <u>Accounting treatment and derivative transactions, the unrealized profit and loss of the holding position.</u>	Accounting personnel: <u>Be responsible for accounting treatment and profit and loss assessment.</u>	Text revision
4.1.3.1	The traders for financial derivatives (Hereinafter referred to as “the trader”) should have the daily report and weekly report prepared. After performing the evaluation in accordance with the market spot exchange rate , submit	<u>The confirmation personnel shall perform evaluation in accordance with the market exchange rate evaluation provided by the bank and submit it to the finance officer, the management, and the accounting relevant units</u>	1. It is amended in accordance with the actual practice. 2. The assessment

NO.	Before the Revision	After the Revision	Remark																																																		
	it to the finance officer, the management, and the accounting relevant units respectively. The accounting unit shall prepare the assessment report according to the provisions of the competent authorities and then submit it to the President who the Board of Directors authorizes at the middle and at the end of each month.	respectively. The accounting unit shall prepare the assessment report according to the provisions of the competent authorities and then submit it to the <u>President</u> at the middle and at the end of each month.	report is presented to the President on the monthly basis.																																																		
4.2.1.1	If it is not intended for transactional purpose, the maximum hedging position shall be limited to the total amount of the 12-month importing volume or the total exporting assets and total foreign exchange liability. The foreign exchange hedging positions shall be adjusted according to the actual situation of the market.	If it is not intended for transactional purpose, the maximum hedging position shall be limited to the total amount of the 12-month importing volume or the total exporting assets and total foreign exchange liability. The foreign exchange hedging positions shall be adjusted according to the actual situation of the market.	It is amended in accordance with the actual practice.																																																		
4.2.1.3	<p><u>In order to perfect the internal control, the traders shall operate according to the following level of authority table. If the net transaction position of the day exceeds the authorized amount, it must be with the approval of the authorized person in order to increase the hedging operation exceeding the net position amount.</u></p> <table border="1" data-bbox="316 1574 724 1843"> <thead> <tr> <th>title</th> <th>Increase and decrease position limit daily</th> </tr> </thead> <tbody> <tr> <td>Vice Chairman</td> <td>USD 100,000,000</td> </tr> <tr> <td>President</td> <td>USD 75,000,000</td> </tr> <tr> <td>Vice president</td> <td>USD 60,000,000</td> </tr> <tr> <td>Finance department Manager</td> <td>USD 45,000,000</td> </tr> <tr> <td>Financial Management Section Supervisor</td> <td>USD 30,000,000</td> </tr> <tr> <td>Foreign exchange trader</td> <td>USD 15,000,000</td> </tr> </tbody> </table>	title	Increase and decrease position limit daily	Vice Chairman	USD 100,000,000	President	USD 75,000,000	Vice president	USD 60,000,000	Finance department Manager	USD 45,000,000	Financial Management Section Supervisor	USD 30,000,000	Foreign exchange trader	USD 15,000,000	<p><u>The authorized amount for the derivative transactions of the Company is as follows:</u></p> <p style="text-align: right;">UNIT:USD million</p> <table border="1" data-bbox="762 1294 1217 1977"> <thead> <tr> <th>Classification by trade purpose</th> <th>Level</th> <th>Daily transaction amount</th> <th>Total cumulative transaction amount</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Non-transactional purpose</td> <td>President</td> <td>Over 60</td> <td>Over 120</td> </tr> <tr> <td>Finance officer</td> <td>60</td> <td>120</td> </tr> <tr> <td>Finance department supervisor</td> <td>45</td> <td>90</td> </tr> <tr> <td>Trade department supervisor</td> <td>30</td> <td>60</td> </tr> <tr> <td rowspan="6">Transactional purpose</td> <td>Foreign exchange trader</td> <td>15</td> <td>30</td> </tr> <tr> <td>President</td> <td>Over 30</td> <td>Over 60</td> </tr> <tr> <td>Finance Officer</td> <td>30</td> <td>60</td> </tr> <tr> <td>Finance department supervisor</td> <td>20</td> <td>40</td> </tr> <tr> <td>Trade department supervisor</td> <td>10</td> <td>20</td> </tr> <tr> <td>Foreign exchange trader</td> <td>5</td> <td>10</td> </tr> </tbody> </table>	Classification by trade purpose	Level	Daily transaction amount	Total cumulative transaction amount	Non-transactional purpose	President	Over 60	Over 120	Finance officer	60	120	Finance department supervisor	45	90	Trade department supervisor	30	60	Transactional purpose	Foreign exchange trader	15	30	President	Over 30	Over 60	Finance Officer	30	60	Finance department supervisor	20	40	Trade department supervisor	10	20	Foreign exchange trader	5	10	Increase the authorized amount of the cumulative transaction amount.
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NO.	Before the Revision	After the Revision	Remark
4.2.2		Operating flowchart deleted	The clause, such as, 4.5.2.1 detailed in the operating flowchart has already been regulated; therefore, it is deleted.
4.5.1.2	The consideration of market risk: <u>For the trade of financial derivative, the liquidity of the funds should be considered, that is, there is sufficient funds to be settled at the time when the financial instruments are due without affecting the daily routine fund allocation.</u>	The consideration of market risk: <u>It is based on the public foreign exchange market provided by the bank; also, since the loss due to the future market price fluctuation is uncertain, the established position should be with the stop-loss regulated strictly.</u>	In duplication with clause 4.5.1.3 regarding the consideration of liquidity.
4.5.2.1	<u>Spot and forward foreign exchange trading control</u>	<u>Derivatives trading control</u>	Text revision
4.5.2.1.2	The traders should fill out the foreign exchange transaction notice after each transaction no later than the noon of the following workday (if the O/N order completed); also, the notice should be signed for confirmation and then forwarded to the foreign exchange confirmation personnel in order to <u>prepare and submit the daily report for the review of the finance supervisors.</u>	The traders should fill out the foreign exchange transaction notice after each transaction no later than the noon of the following workday (if the O/N order completed); also, the notice should be signed for confirmation <u>or should be informed through email by the traders</u> and then forwarded to the foreign exchange confirmation personnel in order to <u>have it documented in the transaction log</u> in accordance with the transaction slip.	It is to be amended in accordance with the actual operation.
4.5.2.1.3	The foreign exchange confirmation personnel <u>upon receiving the confirmation slip of the foreign exchange transactions and the accuracy of the contents confirmed by the settlement department of the bank, it is to be registered in the foreign exchange</u>	The foreign exchange confirmation personnel shall have the transaction slip of the previous day submitted to the department supervisor for review and <u>approval along with the transaction log;</u> also, the foreign exchange position balance of the previous day should	It is to be amended in accordance with the governing law and regulations.

NO.	Before the Revision	After the Revision	Remark
	<u>transactions contract and transferred to the authorized staff for approval in order to facilitate the review of the audit unit in the future.</u>	be reported to the Finance Manager.	
4.5.2.1.4	<u>Foreign exchange confirmation personnel should submit the transaction slip of the previous day and the foreign exchange position daily report to the Financial Management Section of Finance Department. The Financial Management Section Supervisor should follow up the transaction properly and report the foreign exchange position balance of the previous day to the Finance Manager.</u>	This article is deleted.	In duplication with clause 4.5.2.1.3; therefore, it is deleted.
4.5.2.1.5	The foreign exchange confirmation personnel should confirm the accuracy of the confirmation slip received from the underwriting bank and the Company's internal transaction confirmation slip should be forwarded to the <u>settlement personnel</u> for submission and impression; <u>also, one of the copies should be returned to the underwriting bank.</u>	The foreign exchange confirmation personnel should confirm the accuracy of the confirmation slip received from the underwriting bank and the Company's internal transaction confirmation slip before submission and impression; <u>also, the bank should be contacted to confirm the accuracy of the transaction.</u>	1. The confirmation with the bank can also be done by e-mail to save time. 2. Simplify text description.
4.5.2.1.6	For a <u>due</u> or early settlement, the foreign exchange trader shall notify the confirming personnel to fill out the foreign exchange settlement notice <u>to be submitted to the fund operator of the Financial Management Section after the approval of the Finance Manager</u> to handle the payment and settlement matters and bookkeeping treatment.	For an early settlement, the foreign exchange trader shall notify the confirming personnel to fill out the foreign exchange settlement notice <u>with a notice issued by e-mail;</u> <u>also, the settlement personnel</u> are to handle the payment and settlement matters and bookkeeping treatment.	1. The expiration of the transaction contract is detailed in 4.5.2.1.7. 2. It is to be amended in accordance with the actual operation.

NO.	Before the Revision	After the Revision	Remark
4.5.2.1.7	<p>If the trading contract is with a close position, the foreign exchange trader and the underwriting bank after clearing the profit and loss shall fill out the foreign exchange clearance notice for the foreign exchange confirmation personnel to check; also, it should be <u>documented in the foreign exchange profit and loss statement after the approval of the authorized staff</u>, and with the bookkeeping treatment, collection, and payment matters initiated.</p>	<p>If the trading contract is with a close position, the foreign exchange trader and the underwriting bank after clearing the profit and loss shall fill out the foreign exchange clearance notice or <u>the trader shall issue a notice by e-mail</u> for the foreign exchange confirmation personnel to check; also, it should <u>be submitted to the department supervisor for approval, documented in the transaction log</u>, and with the bookkeeping treatment, collection, and payment matters initiated.</p>	<p>1. Confirmation of Transactions can be prepared in paper and by e-mail in order to save time. 2. Foreign exchange operation profit and loss schedule is revised as the transaction log.</p>
4.5.2.2	<p><u>4.5.2.2.1</u> The traders may not be in charge of the operation of trade, confirmation, and settlement at the same time.</p> <p><u>4.5.2.2.2</u> The traders should fill out the option transaction notice after each transaction no later than the noon of the following workday to be confirmed by the foreign exchange confirmation personnel.</p> <p><u>4.5.2.2.3</u> Upon receiving the confirmation slip of the option transactions with the accuracy of the contents confirmed, the foreign exchange confirmation personnel shall have it registered in the option transactions statement and transferred to the authorized staff for approval.</p>	<p>This article is deleted.</p>	<p>Rules Governing the Trading of Options is consolidated into 4.5.2.1 “Financial Derivatives.”</p>

NO.	Before the Revision	After the Revision	Remark
	<p><u>4.5.2.2.4</u> <u>Foreign exchange confirmation personnel should submit the transaction slip of the previous day and the foreign exchange position daily report to the Financial Management Section of Finance Department. The Financial Management Section Supervisor should follow up the transaction properly and report the foreign exchange position balance of the previous day to the Finance Manager.</u></p> <p><u>4.5.2.2.5</u> The foreign exchange confirmation personnel should confirm the accuracy of the confirmation slip received from the underwriting bank and the Company's internal transaction confirmation slip before forwarding it to the settlement personnel for submission and impression; also, one of the copies should be returned to the underwriting bank.</p> <p><u>4.5.2.2.6</u> <u>Foreign exchange settlement personnel shall initiate the bookkeeping treatment, collection, and payment relevant matters for the royalties of the approved transactions.</u></p> <p><u>4.5.2.2.7</u> <u>Foreign exchange confirmation personnel have the daily report prepared in accordance with the transaction slips and then present it to the finance officer.</u></p>		

NO.	Before the Revision	After the Revision	Remark
4.5.4	Periodical assessment.	Periodical assessment and nonconformities handling.	Text revision
4.5.4.1	The Company's derivatives trade position shall be assessed at least once a week. However, the hedge transaction needed for business operation should be assessed at least twice a month; also, the assessment report should be submitted <u>to the senior supervisors authorized by the Board of Directors.</u>	The Company's derivatives trade position shall be assessed at least once a week. However, the hedge transaction needed for business operation should be assessed at least twice a month; also, the assessment report should be submitted to the <u>President.</u>	The President is to regularly assess the trade position control of financial derivatives.
4.5.4.3	The Board of Directors authorizes the <u>senior supervisors</u> to be responsible for supervising and controlling the trade risk of financial derivatives; also, regularly assessing whether the performance of the derivatives transactions conform to the established business strategy and whether the risk assumed is within the tolerable range of the Company.	he Board of Directors authorizes the <u>President</u> to be responsible for supervising and controlling the trade risk of financial derivatives; also, regularly assessing whether the performance of the derivatives transactions conform to the established business strategy and whether the risk assumed is within the tolerable range of the Company.	The President is to regularly assess the trade risk control of financial derivatives.
4.5.4.4	The Board of Directors authorizes the <u>senior supervisors</u> to manage the transactions of derivatives in accordance with the following principles:	The Board of Directors authorizes the <u>President</u> to manage the transactions of derivatives in accordance with the following principles:	
4.5.4.6	NA	<u>For the derivatives transactions of the Company, if it must be approved by the Board of Directors in advance according to the Procedures or other law and regulations, it should be presented to the Board of Directors with the consent of the majority of the Audit Committee members.</u>	It is to be amended in accordance with the governing law and regulations.
4.6.1	The internal auditors of the Company shall regularly understand the adequacy of the internal control for financial	The internal auditors of the Company shall regularly understand the adequacy of the internal control for financial	Amend Securities and Futures Institute into

NO.	Before the Revision	After the Revision	Remark
	<p>derivatives, check the compliance of the trading department with the procedures and analyze the trading cycle on a monthly basis, and prepare an audit report. In the event of a material breach, the Audit Committee shall be notified in writing and shall report it to <u>the Securities and Futures Institute</u> by the end of February of the following year along with the implementation of the annual internal audit plan.</p>	<p>derivatives, check the compliance of the trading department with the procedures and analyze the trading cycle on a monthly basis, and prepare an audit report. In the event of a material breach, the Audit Committee shall be notified in writing and shall report it to <u>the competent authorities</u> by the end of February of the following year along with the implementation of the annual internal audit plan.</p>	<p>the competent authority.</p>
4.7.3	<p>If the subsidiaries of the Company did not have their own procedures for derivative transactions, it should be handled in accordance with the Procedures.</p>	<p>The subsidiaries of the Company that <u>intend to engage in derivative transactions should be urged to enact the “Procedures for the Engagement in Financial Derivatives” and the relevant regulations.</u></p>	<p>It is to be amended in accordance with the governing law and regulations.</p>
4.8.1	<p><u>The Procedures approved by the Board of Directors of the Company shall be submitted to the Audit Committee and then to the Shareholders’ Meeting for approval, so are the amendments. In the event of any objection of a director recorded or in a written statement, the Company shall send the objection of a director to the Audit Committee.</u></p>	<p><u>The procedures shall be approved by the majority of the Audit Committee members and then submitted to the Board of Directors for approval and presented in the shareholders’ meeting for resolutions, so are the amendments.</u></p>	<p>It is to be amended in accordance with the governing law and regulations.</p>
4.8.3	NA	<p><u>If the proposal in Paragraph I has not been approved by the majority of the Audit Committee members, it can be resolved with the approval of more than two thirds of all Directors; also, the resolution of the Audit Committee should be documented in the minutes of Board meeting.</u></p>	<p>It is to be amended in accordance with the governing law and regulations.</p>

NO.	Before the Revision	After the Revision	Remark
4.8.4.	The Procedures was regulated on August 30, 1996, amended for the 1st time on June 30, 2003, amended for the 2nd time on June 12, 2006, amended for the 3rd time on June 19, 2008, amended for the 4th time on June 19, 2014, and for the 5th time on June 21, 2016.	The Procedures was regulated on August 30, 1996, amended for the 1st time on June 30, 2003, amended for the 2nd time on June 12, 2006, amended for the 3rd time on June 19, 2008, amended for the 4th time on June 19, 2014, and for the 5th time on June 21, 2016, and <u>for the 6th time on June 22, 2017.</u>	Added revision date

Proposal 3

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 total endorsement/guarantee amount of the Company and its subsidiaries is limited to an amount equivalent to 50% of the Company's net 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 and its subsidiaries adjusted up to an amount not more than 75% of the net worth of the Company.
2. Please refer to from page 59 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 V (page 73) ◦
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 40% of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 35% of the total endorsement/guarantee amount. The total endorsement/guarantee amount of the Company and its subsidiaries together shall not exceed <u>50%</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 40% of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 35% 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>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.</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, <u>and for the 10th time on June 22, 2017</u></p>	<p>Added revision date</p>

Extemporary Motions

Meeting Adjournment

Appendix 1**Yulon Motor Co., Ltd.
Shareholding of Directors**

Record date: April 24, 2017

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 24, 2017, 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

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

Item		Year	2016 (Estimated)
Beginning Paid-in capital (in Thousands of NTD)			15,729,199
Current dividend and interest	Cash dividends per share (NTD)		0.50
	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 5

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 40% of the net worth of the Company. The endorsement/guarantee amount for one single enterprise shall not exceed 35% of the total endorsement/guarantee amount. The total endorsement/guarantee amount of the Company and its subsidiaries together shall not exceed 75% 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.

- 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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