

# 2015 ANNUAL REPORT

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中華汽車工業股份有限公司  
CHINA MOTOR CORPORATION



Stock Code : 2204

# **China Motor Corporation**

## **2015 Annual Report**

(Translation)

Printed on April 30, 2016

### Notice to Readers

The Annual Report have been translated into English from the original Chinese version. 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 version shall prevail.

I. Information regarding Spokesperson, Deputy Spokesperson

Spokesperson: Ching-Wu Chien

Title: Vice President

Deputy Spokesperson: Yu-Chun Su

Title: General Manager, Corporate Planning Division, China Motor Corporation

Tel: 886-3-4783191

Email: 0800@china-motor.com

II. Contact Information of Headquarter, Branch Company and Plant

Headquarter

Address: 11F., No.2, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan

Tel: 886-2-23250000

China Motor Training Center

Address: No.3, Qingnian Rd., Yangmei Dist., Taoyuan City 326, Taiwan

Tel: 886-3-4641100

Yang Mei Plant

Address: No.618, Xiucui Rd., Yangmei Dist., Taoyuan City 326, Taiwan

Tel: 886-3-4783191

Hsin Chu Plant

Address: No.2, Guangfu Rd., Hukou Township, Hsinchu County 303, Taiwan

Tel: 886-3-5985841

III. Common Share Transfer Agent and Registrar

Company: China Motor Corporation

Address: 7F., No.150, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan

Tel: 886-2-25156421

Website: <http://www.china-motor.com.tw>

IV. Information regarding 2015 Auditors

Company: Deloitte & Touche

Auditors: Eddie Shao, Lilac Shue

Address: 12F, 156, Sec. 3, Min-Sheng E. Rd., Taipei 105-96, Taiwan

Tel: 886-2-25459988

Website: <http://www.deloitte.com.tw>

V. Information regarding Depositary: N.A.

VI. Corporation Website: <http://www.china-motor.com.tw>

# Table of Contents

<b>[Letter to Shareholders]</b> -----	<b>4</b>
<b>[Company Profile]</b> -----	<b>6</b>
I. Founding Date .....	6
II. Company History .....	6
III. Business Results .....	12
IV. Charity .....	13
<b>[Corporate Governance]</b> -----	<b>19</b>
I. Organization .....	19
II. Directors, Supervisors and Management Team .....	20
(I) Information Regarding Board of Directors and Supervisors .....	20
(II) Directors' and Supervisors' Professional Qualifications and Independent Analysis .....	33
(III) Information Regarding President, Executive Vice President, Vice President, and General Manager of Each Department .....	34
(IV) Remuneration Paid to Board of Directors, Supervisors, President, and Executive Vice President in the Latest Year .....	46
(V) Employment Compensation Granted to Management Team .....	52
III. Implementation of Corporate Governance .....	53
(I) Board of Directors Meeting Status .....	53
(II) Attendance of Supervisors for Board Meetings .....	54
(III) Audit Committee Meeting Status .....	54
(IV) Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” .....	55
(V) Composition, Responsibilities and Operations of Compensation Committee .....	58
(VI) Social Responsibility .....	59
(VII) Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission .....	63
(VIII) Corporate Governance Guidelines and Regulations .....	65
(IX) Other Important Information Regarding Corporate Governance .....	65
(X) Internal Control System Execution Status .....	66
(XI) Punishment and Improvement Status of Violation Internal Control System during the 2015 Calendar Year and up to April 30, 2016 .....	67
(XII) Major Resolutions at Shareholders Meetings and Board of Directors Meetings during the 2015 Calendar Year and up to April 30, 2016 .....	67
(XIII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors during the 2015 Calendar Year and up to April 30, 2016 .....	69
(XIV) Resignation or Dismissal of Chairperson, President, and General Manager of Accounting, Finance, Internal Audit and R&D during the 2015 Calendar Year and up to April 30, 2016 .....	69
IV. Information Regarding Audit Fees .....	70
V. Information Regarding Replacement or Rotation of Accountants .....	71
VI. Chairperson, President and General Manager of Financial Affairs or Accounting Working in CMC’s Independent Audit Firm or its affiliates during 2015 .....	71
VII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders .....	72
VIII. Information Disclosing the Relationship between any of the Top 10 Shareholders .....	74
IX. Long-Term Investment Ownership .....	75

# Table of Contents

<b>[Capital Overview]</b>	<b>76</b>
I. Capital and Shares	76
(I) Sources of Capital	76
(II) Type of Stock	76
(III) Status of Shareholders	76
(IV) Shareholding Distribution Status	77
(V) List of Major Shareholders	77
(VI) Market Price, Net Worth, Earnings, and Dividends per Share	78
(VII) Corporate Dividend Policy and Implementation Status	78
(VIII) The Impact of Stock Dividend Issuance on Business Performance and EPS	80
(IX) Employee Compensation and Directors' and Supervisors' Remuneration	80
(X) Buyback of Treasury Stock	82
II. Issurance of Corporate Bonds	82
III. Issurance of Preferred Stock	82
IV. Issuance of Depository Receipts	82
V. Status of Employee Stock Option Plan and Employee Restricted Stock	82
VI. Status of New Share Issuance in Connection with Mergers and Acquisitions	82
VII. Financing Plans and Implementation	82
<b>[Operational Highlights]</b>	<b>83</b>
I. Business Activities	83
(I) Business Scope	83
(II) Industry Overview	86
(III) Technology and R&D Overview	87
(IV) Long- and Short-term Business Development Plan	88
II. Market, Production, and Sales Overview	89
(I) Market Analysis	89
(II) Main Uses and Production Processes of Major Products	93
(III) Supply Status of Main Materials	94
(IV) Major Suppliers and Clients Taking over 10% of the Amount of Incoming (Sales) over the Last Two Years	94
(V) Production over the Last Two Years	96
(VI) Sales over the Last Two Years	96
III. Human Resources	96
IV. Environmental Cost	97
(I) Losses and Fines Caused by Environmental Pollution during the 2015 Calendar Year and up to April 30, 2016	97
(II) Forecast of Environmental Cost for the Next Three Years	97
V. Labor and Management Relationship	97
(I) Employee's Benefits, Training, Retirement Measures and Implementation	97
(II) Dispute between Labor and Management during the 2015 Calendar Year and up to April 30, 2016	102
VI. Major Contracts	103
<b>[Financial Highlights]</b>	<b>104</b>
I. Condensed Balance Sheet and Statement of Comprehensive Income over the Last Five Years	104
(I) Condensed Balance Sheet and Statement of Comprehensive Income	104
(II) Condensed Balance Sheet and Statement of Income - ROC GAAP	108
(III) Auditors' Opinions over the Last Five Years	109
II. Financial Analysis over the Last Five Years	110

# Table of Contents

III. Supervisors' Review Report	115
IV. Consolidated Financial Statements and Appendix	116
V. Financial Statements and Appendix of the Corporation	196
VI. Financial Difficulties during the 2015 Calendar Year and up to April 30, 2016	253

## **[Review of Financial Status, Operating Results, and Risk Management]** **254**

I. Analysis of Financial Status	254
II. Analysis of Operating Results	255
III. Analysis of Cash Flow	256
IV. Major Capital Expenditure	256
V. Re-investment Policies in last year and Major causes for Profit/Loss and Improvement, and Investment Plans in the coming year	257
VI. Risk Management	258
(I) Impact on profits/losses of Interest rate volatility, Exchange rate volatility and Inflation and the Future Countermeasures	258
(II) Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsement and Guarantees; and Derivative Transactions	258
(III) Future R&D Plans and Expected R&D Spending	259
(IV) Effects of and Response to Changes of Government Policies and Regulatory Environment	259
(V) Effects of and Response to Changes in Technology and Industry	259
(VI) Effects of and Response to Changes in Corporate Image on Company's Crisis Management	259
(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans	259
(VIII) Expected Benefits from, Risks Relating to and Response to Capacity Expansion	259
(IX) Risks Associated with Sales and Purchase Concentration	259
(X) Effects of, Risks Relating to and Response to Sales of Significant Numbers of Shares by Directors, and/ or Major Shareholders Who Own 10% or More of the Corporation's Total Outstanding Share	260
(XI) Effects of, Risks Relating to and Response to Changes in Control over the Corporation	260
(XII) Risks Associated with Litigation or Non-litigation Matters	260
(XIII) Other Risks	260
VII. Other Information Matters	260

## **[Special Disclosure]** **261**

I. Summary of Affiliated Companies	261
(I) Consolidated Business Report of Affiliated Enterprises	261
(II) Consolidated Financial Statement of Affiliated Enterprises	271
(III) Affiliation Report	272
II. Private Placement Securities during the 2015 Calendar Year and up to April 30, 2016	273
III. Status of Shares Held or, Disposed of, by Subsidiaries during the 2015 Calendar Year and up to April 30, 2016	273
IV. Other Special Notes	273
V. Impacts of Significant Events on Shareholders' Rights or Stock Value during the 2015 Calendar Year and up to April 30, 2016	273

# Letter to Shareholders

Due to slowly- grow prosperity in 2015, the total number of vehicle registration was 421 thousand cars, 0.7% down from 2014.

To stimulate market demand, the Corporation launched a number of new models and improved product competitiveness in 2015. For example, the Corporation launched the Colt Plus X-Sports special edition, Veryca power-up edition, the Lancer Sportback dazzling edition, the LEADCA safety-upgraded edition and new ZINGER 2.4L with CMC brand. With these new models, sales in 2015 was up to 42,708 cars to create consolidated operating revenue up to NT\$36.88 billion, consolidated operating profit up to NT\$2.22 billion, consolidated net profit up to NT\$3.5 billion and EPS up to NT\$2.32. The consolidated net profit grows 24.2% in 2015.

In export sales, due to the unfavorable price condition from the Japanese Yen depreciation and oil plummet depression, export sales reduced compared to 2014, and 1,519 cars and 8,280 CKD were sold.

Looking to 2016, the Corporation is aggressively promoting domestic and export sales, and continuously implements model revision with diverse marketing strategies to enhance brand competitiveness. In domestic sales, apart from launching the Colt Plus 2016 edition, the Colt Plus ocean special edition, Lancer Sportback 2016 edition and Pajaro 2016 edition in the first half of the year, the Corporation will continue to launch the major model revision Outlander to ingratiate clients needs. In export sales, the Corporation will continue to cultivate markets in the Southeast Asia, Middle East, and Central and South America to spur car sales by about 2.7% from last year (2015).

In China market cultivation, South East Motor (SEM), a CMC re-invested enterprise, will continue to cultivate the China market with both Mitsubishi and SEM brands. In 4<sup>th</sup> Quarter of 2015, SEM launched new DX7 model with high price–performance ratio, and 76 thousand cars were sold which grew 13.2% compared to 2014. In 2016, SEM will launch its own brand new mini-SUV DX3 model, special edition of SEM DX7 and Mitsubishi Lancer EX. The expected car sale of 2016 is 115 thousand cars with more than 50% growth compared to previous year (2015).

# Letter to Shareholders

Fujian Daimler Motors, another CMC re-invested enterprise in China, launches new V-class Luxury MPV in April 2016 and is expected to sell 12 thousand cars with more than 80% growth compared to previous year (2015).

Eyeing the developmental potential of the green economy and pushing corporate social responsibility, the Corporation will continue to promote green energy products. CMC has been No.1 in Taiwan e-scooter market since 2010. There were newly high sale over 6,500 e-scooters & e-bikes sold in 2015 which increased by 32% compared to 2014. In 2016, the Corporation will copy the experience of pushing low-carbon tourism in outlying islands to main island of Taiwan to continue the promoting momentum of green conveyance. In the mean time, the Corporation stimulates e-scooters sales by pushing rental and sale for corporate low-carbon tourism and the expects to sell over 8,500 e-scooters & e-bikes with more than 30% growth compared to 2015.

CMC is wholeheartedly grateful to all shareholders for their long-term support and encouragement. The Corporation will continue to uphold our spirit of research, development, innovation, and quality first, so as to create better sales for the Corporation to repay shareholders.

A handwritten signature in black ink, consisting of three Chinese characters: 嚴凱泰 (Yan Kai Tai).

Kenneth K.T. YEN

Chairperson

April 30, 2016

# Company Profile

## I. Founding Date

June 13, 1969

## II. Company History

- June 1969: The Corporation was founded by late Yen Tjing Ling with capital NT\$100 million.
- October 1970: The Corporation signed technique cooperation contract with Mitsubishi Motors Corporation.
- December 1973: Yangmei Plant was built, manufacturing Fuso and Delica.
- November 1983: A new painting plant was built.
- October 1984: Equipment for processing crank shafts and cam shafts were implemented and started production.
- June 1986: Mitsubishi Motors Corporation (MMC) and Mitsubishi Corporation officially invested the Corporation, holding 19% and 6% of the stock respectively.
- December 1988: Verica, a light commercial vehicle, was developed by the Corporation successfully, launched for formal production.
- May 1989: Practicing two-shift rotation production.
- December 1990: Mechanical stamping plant was built, and Hsinchu Plant was built.
- March 1991: The stock of the Corporation was officially listed in Taiwan Stock Market.
- September 1993: Authorized ISO 9002 certification by Bureau of Standards, Metrology, and Inspection.
- October 1993: Won National Quality Award, Executive Yaun.
- December 1993: Lancer was released.
- March 1994: Authorized ISO 9002 certification by BSI.
- June 1994: Libero was released.
- June 1994: China Motor Training Center was initiated.
- November 1995: Founded South East (Fujian) Motor Co., Ltd.(SEM) with Fujian Motor Industry Group Co., Ltd.(FJMOTOR)
- November 1996: Lancer Virage was released.
- April 1997: Authorized ISO 14001 certification by BSI.
- July 1997: Space Gear was released, the Corporation entering RV market.

# Company Profile

- July 1997: Authorized ISO 14001 certification by Bureau of Standards, Metrology, and Inspection.
- September 1997: Freeca was released. The Corporation initiated international division of labor model.
- March 1998: Automatic multiple car body welding production line was launched.
- May 1998: All New Galant was released.
- June 1998: Over 1 million cars were sold.
- July 1998: SEM, invested by the Corporation, was allowed to make construction and production.
- July 1999: China-Motor Indigenous Culture and Education Foundation was founded.
- September 1999: SEM, a company in China invested by the Corporation, was completed for production.
- October 1999: Authorized ISO 9001 certification by BSI.
- December 1999: The main building of CARTEC was completed.
- February 2000: Freeca was released by SEM.
- March 2000: A store with the brand CMC was built in Muscat, Oman.
- September 2000: Veryca was released.
- February 2001: Veryca Magic was released.
- July 2001: ERP system was launched, the Corporation becoming the first motor company using SAP system in Taiwan.
- October 2001: Savrin was released.
- November 2001: Hsinchu Plant was honored TPM Excellence Award by Japan Institute of Plant Maintenance (JIPM).
- November 2002: SEM was approved to manufacture automobiles in China.
- December 2002: A facelift of All New Gallant was released.
- May 2003: A facelift of Global Lancer was released.
- May 2003: Space Gear was exported to the Philippines.
- December 2003: Freeca was released.
- December 2003: Chinese Government approved the cooperation of Benz light passenger car between the Corporation, Daimler AG, and FJMOTOR.
- December 2003: Yangmei Plant was honored TPM Excellence Award by JIPM.

# Company Profile

- June 2004: New Savrin was released.
- November 2004: Chinese Government approved the Corporation's investing feasibility analysis about the production of "passenger vehicle, commercial vehicle, and related components" in cooperation with Daimler AG, and FJMOTOR.
- December 2004: Grunder 2.4L was released.
- December 2004: Hsinchu Plant received a cross-level Special Award for TPM Achievement from JIPM.
- June 2005: New Space Gear was released.
- October 2005: Over 300 thousand cars of Lancer were sold.
- October 2005: The Corporation signed a cooperation contract with AMG, the second largest automobile selling group in Kuwait to release Veryca 1.2L/1.6L and Varica 1.2L commercial vehicle with CMC brand in The United Arab Emirates from 2006 on.
- December 2005: Zinger was released.
- January 2006: Complete Built Unit (CBU) of Grunder was exported to the Philippines, the first export of high-level car in Taiwan.
- February 2006: Authorized TS 16949 certification by BSI.
- April 2006: The Corporation signed an agreement to sell 25% of the SEM issuing stocks to MMC.
- April 2006: The Corporation undertook the production of Chrysler's Town & Country RV, which was the first time of it to be technically authorized and produced overseas.
- November 2006: SEM released Galant 2.4L into high-level car market in China.
- November 2006: The Corporation signed a letter of intent with Chrysler to produce Dodge brand vehicles and exported them to Mexico from Taiwan.
- December 2006: SEM signed an export contract with Mehreghan Investment Corporation, Iran and its agency Setareh Nik Aria Vehicle Manufacturing Co. in Beijing to export 8,000 Delica to Iran in 2007.
- January 2007: To promote the quality of customer service, from January 1, 2007 on, the warranty period of all the cars, RVs, small commercial vehicles is extended from two years or 50,000 kilograms to three years or 100,000 kilograms.

# Company Profile

- January 2007: Hsinchu Plant received Advanced Special Award for TPM Achievement from JIPM, being the first in Taiwan and the 13th in the world to win this award.
- January 2007: Yangmei Plant received Special Award for TPM Achievement from JIPM.
- January 2007: Ministry of Commerce of the People's Republic of China approved the Corporation invested by the Corporation, Daimler AG, and FJMOTOR.
- March 2007: A facelift of All New Canter/Fuso was released.
- March 2007: Announced Driving Vision, a new manifesto of the brand.
- March 2007: Colt Plus 1.6L was released.
- May 2007: The first batch of CBU car of Zinger was exported to Mitsubishi Motors Philippines Corporation (MMPC).
- June 2007: The Corporation co-founded Fujian Daimler Motors Industry Co., Ltd. with Daimler AG, and FJMOTOR. (in 2012, it was renamed as Fujian Benz Automotive Co., Ltd.(FBAC))
- September 2007: Lancer Fortis 2.0L was released.
- October 2007: The ceremony of plant construction for Fujian Daimler Motors Industry Co., Ltd. (now Fujian Benz Automotive Co., Ltd.) was held.
- December 2007: A facelift of New Grunder was released.
- April 2008: Outlander 2.4L was released.
- April 2008: Imported with original packaging from Japan, All New Pajero 3.2L diesel edition and Outland 3.0L were released.
- May 2008: LANCER iO/LANCER FORTIS 1.8L/1.8L with aero kit Edition was released.
- September 2008: A new edition of Super Zinger 2.4L with MIVEC engine was released.
- September 2008: The first batch of Completely Knocked-Down (CKD) of Zinger was exported to Vietnam.
- April 2009: Announced 「Drive@earth」 as the new spirit of of MMC.
- April 2009: A limited edition of Lancer Fortis 1.8L/2.0L was released.
- May 2009: Imported 2009 edition Pajero 3.2L/Outlander 3.0L was released.
- May 2009: A new edition of Outlander 2.4L was released.
- June 2009: The third generation of Savrin was released.
- June 2009: Ralliart, mini foldable bike, sports edition, was released.
- September 2009: Lancer Ex was released by SEM.

# Company Profile

- October 2009: Colt Plus 1.6L/Colt Plus iO was released.
- October 2009: The first time Veryca was exported as CBU to the US.
- October 2009: The safety-upgraded Super Zinger 2010 Edition was released.
- November 2009: 2010 edition of New Grunder was released.
- November 2009: 2010 edition of Lancer Fortis 1.8L/Lancer iO 2.0L was released.
- November 2009: Veryca 1.3L with a upgraded powerful engine, was released.
- December 2009: The Corporation joined in green energy industry, releasing "e-moving", an electric scooter.
- January 2010: Ralliart's mountain bike/road bike was released.
- March 2010: A new green energy brand for export 「GreenTrans」 was announced.
- May 2010: A special edition of Lancer Fortis 1.8L was released.
- June 2010: "E-moving" electric scooter and "e-moving" electric mini foldable bike were released
- October 2010: A special edition of Colt Plus was released.
- October 2010: A new edition of Outlander 2.4L was released.
- December 2010: Light passenger car, C1, was released by SEM.
- March 2011: GreenTrans' e-moving electric scooters were exported to Europe.
- April 2011: A more spacious edition Colt Plus was released.
- September 2011: A new Outlander iO was released.
- November 2011: A facelift of Boss Zinger was released.
- March 2012: Lancer iO was released.
- March 2012: E-moving plus and e-moving young were released.
- September 2012: Lancer Fortis was exported to Middle East.
- September 2012: V5 was released by SEM.
- December 2012: A new style of Delica was released.
- May 2013: Pro Canter eco-friendly edition which comply with 5<sup>th</sup> emission standard was released.
- May 2013: Imported Lancer Sportback hatchback, three-door and five-door off-road diesel RV Pajero was released.
- June 2013: E-moving Super was released.
- August 2013: V6 was released by SEM.

# Company Profile

- September 2013: Electric bike, e-moving Bobe, was released. Product series of electric two-wheeled were complete.
- September 2013: Colt Plus mini RV was released.
- September 2013: A new style of Super Veryca was released.
- October 2013: 3.5T Leadca commercial vehicle was released.
- May 2014: The electric 2-wheel products with GreenTrans brand will be sold in Germany,.
- June 2014: A facelift of Lancer iO/Fortis was released.
- September 2014: Imported the Lancer Sportback 1.8L/Pajero 3.2L diesel 2015 version was released.
- November 2014: The Outlander was selected as the appointed timer car for the 2014 Yi-lan Chiang Wei-shui Memorial Freeway Marathon.
- December 2014: The new-generation Outlander and imported Outlander PHEV were released.
- December 2014: The Colt Plus X-Sports was released.
- April 2015: Lancer iO dazzling color lozenge special edition was released.
- July 2015: DX7 was released officially by SEM.
- September 2015: Colt Plus attacking special edition was released.
- September 2015: Research and develop Zinger independently, and have the car released with China Motor Brand.

# Company Profile

## III. Business Results

- (1) Won the first place in Award of Corporate Social Responsibility, traditional industry group, Global Views Monthly, three years in a row, and was listed in CSR three times.
- (2) COLT PLUS, LANCER iO, and OUTLANDER were certified with energy label by Ministry of Economic Affairs.
- (3) Received the Award of Corporation with the Highest Average Asset Return in the Past 20 Years from China Credit Information Service, Ltd.
- (4) Selected as 2010 Excellent Company with Friendly Working Space by Ministry of Labor.
- (5) China Motor Training Center was honored as Excellent Training Unit in Taoyuan Area, Vocational Training Bureau, Executive Yuan.
- (6) E-moving electric scooter was certified TES (Taiwan E-scooter Standard) by Industrial Development Bureau, Ministry of Economic Affairs and honored as Eco-Friendly Vehicle of the Year by Environmental Protection Agency.
- (7) In 2010, e-moving electric motorcycle received iF Design Award, Germany, Taiwan Excellence, Award of Good Design Mark, and Golden Pin Design Award, Industrial Development Bureau, Ministry of Economic Affairs.
- (8) Outlander and Lancer Fortis received Award of High Efficient Dynamics and Award of Energy Conservation in Yahoo! 2010 Outstanding Vehicle Competition respectively.
- (9) Received Award of Outstanding Corporation for Environmental Protection and Green Energy, Taoyuan County.
- (10) Received double award in the first National Training Quality Award.
- (11) Lancer received Award of High Efficiency in Energy Conservation and Award of Fun in Driving in Yahoo! 2011 Outstanding Vehicle Competition.
- (12) Won the second Taiwan Green Classics Award, Ministry of Economic Affairs.
- (13) Won "Quality Award" in 2013 Business Next Green Brand Survey.
- (14) Ranked Number 2 in 2013 Automobile Industry of the Excellence of Corporate Social Responsibility of Common Wealth Magazine.
- (15) The Electric Scooter, e-moving-Super won the 22th Taiwan Excellence.
- (16) The Mid-Motor Kit of GreenTrans has won the 23rd Taiwan Excellence from Ministry of Economic Affairs.
- (17) Won the 2014 9th National HRD InnoPrize from Ministry of Labor.

- (18) Ranked Number 1 in 2014 Automobile Industry of the Excellence of Corporate Social Responsibility of Common Wealth Magazine.
- (19) The China Motor Mitsubishi service system ranked number 1 in 2014 J.D. Power Customer Satisfaction Study of domestic car.
- (20) Honored as “Top 5% of Listed Companies” based on the performance in the corporate governance evaluation of 1<sup>st</sup> term organized by TWSE.
- (21) Honored as 1st place of Commonwealth CSR Award – Automobile Industry in 2015.
- (22) Receive the large-scale enterprise award, 2015 National Talent Development Awards, by Workforce Development Agency, Ministry of Labor.
- (23) Honored as “Top 5% of Listed Companies” based on the performance in the corporate governance evaluation of 2nd term organized by TWSE.

## IV. Charity

- (1) Since 2007, a series of activities of Mitsubishi Motors for Children has been held to cultivate children's idea for safe driving. So far, over 50,000 children have driven electric BuBu cars. By experiencing how to drive, children are able to learn correct safe driving ideas and Mitsubishi Motors' spirit of environmental protection and energy conservation.
- (2) Sending a Car to Wu Feng Elementary School  

To reduce the differences between urban and rural areas and balance resource distribution, the Corporation worked with Charity Association led by Fu Juan and Dun Hua Elementary School to hold a fundraising activity to help Wu Feng Elementary School to own a school bus of their own. Children held a charity concert and donated their allowance to give Wu Feng Elementary School a hand. The Corporation sponsored half of the amount for the vehicle in order to realize the children's dream. This Veryca was like a angel fulfilling children in Wu Feng Elementary School's dream of moving around freely.
- (3) To sponsor Taipei International Flora Exposition  

To support the government's international activity and display the results of Taiwan Electric Scooter, the Corporation provided 20 e-moving Electric Scooters as police's vehicles for patrolling at 2011 Flora Exposition to keep millions of tourists safe.
- (4) To sponsor Lovely Taiwan Foundation with one Colt Plus for residents in Jialan Village

# Company Profile

Taitung to rebuild their home.

To help rebuild Jialan Village, destroyed by Typhoon Morakot, the Corporation established a tribe square and provided Lovely Taiwan Foundation with one Colt Plus to assist the industrial development. The construction of the tribe square of Jialan Village was initiated in January 2011, whereas the Colt Plus joined to rebuilding work from August 2011 on.

- (5) To sponsor St. John's University with one Delica for teachers and students in their community services.

The Corporation participated in Yulon Group's talent training program "10 Years for 1000 People," providing resources in automobile industry to cultural education. To help St. John's University with better education resources, in 2011, the Corporation donated one Delica to serve as a vehicle for administration support and community services for teachers and students.

- (6) The project for Travelling Library was initiated.

To reduce the differences between urban and rural areas, the Corporation sponsored Commonwealth Educational Foundation for the project of Travelling Library in a long run, enabling students in 200 elementary schools in rural areas to the world of reading. In 2004, 2005, and 2007, the Corporation exclusively sponsored 3 vehicles for travelling libraries. For many years, they have travelled around the rural elementary schools in Taiwan for over 90,000 kilometers. In 2011, cooperating with Commonwealth Educational Foundation, the Corporation refurbished Travel Library No.2 and No.3 and rebuilt NO.4, bringing more good books to students in rural elementary schools.

- (7) To support a film made by indigenous people in Taiwan *Finding Sayun*.

To encourage the development of cultural and creative industries in Taiwan, during 2009 and 2011, the Corporation sponsored the production of the movie *Finding Sayun*, made by indigenous people and provided Outlander and Delica for the movie. It became a new model for the cooperation between art and enterprise.

- (8) To sponsor the tour performance of "Telling a Story around the World--Mitsubishi Earth Saving Team" around the rural areas in Taiwan.

The Corporation promoted reading in 2011, hoping to help people in rural indigenous

# Company Profile

villages to have more opportunities to read books. During November 2011 and January 2012, cooperating with Ifkids Troupe, China-Motor Indigenous Culture and Education Foundation held "Telling a Story around the World." Ifkids Troupe created a play "Mitsubishi Earth Saving Team" and toured around four rural elementary schools, Zhong Xiao Elementary School in Taipei City, Sai Jia Elementary School in Pingtung, Bai Leng Elementary School in Taichung, and Xia Yun Elementary School in Taoyuan County to teach children the ideas to protect the Earth, conserve energy, and reduce carbon.

- (9) The Corporation sponsored vehicles for Ping Deng Elementary School, Taichung City

The Corporation has been caring about minority groups for long time. In early 2012, the Corporation learned that because Ping Deng Elementary School was located in remote mountain area in Taichung Heping District, it was very inconvenient for students to commute back and forth. To solve the problem, the Corporation donated one Delica as a shuttle bus and for administration support.

- (10) Through "cooperation between agriculture and corporation," the Corporation participated in the produce marketing project by the indigenous in Jianshi Township, Hsinchu County, promoting organic fruit and vegetable charity bazaar in the Corporation. The employees even bought 600 kilograms of persimmons from the indigenous farmers in Jianshi Township. Besides, the Corporation also offered subsidy for farmers in Jianshi Township to buy a new commercial vehicle.

- (11) Cooperating with Taiwan Black Bear Conservation Association, the Corporation held a press for the campaign of 2012 Taiwan black bears conservation promotion, spreading the ideas of Taiwan black bear conservation.

- (12) In 2014, CMC and farmers of the Olalip Community from Amis in Hegang Village, Hualien, co-organized the "Celebrating Mid-autumn Festival with Laocong Pomelo Group Buying" and "Heart Sweet Heart Painted Pomelo" employee pomelo painting competition. With the heated support of employees, employees purchased nearly 3,500kg of pomelos to create excellent sales achievements.

- (13) In 2014, CMC employees and family voluntarily launched the "Books for Yisheng Elementary School" dream actualization activity. Great amount books from employees and

# Company Profile

families were collected and distributed to elementary schools in remote areas or schools to share resources with indigenous children, hoping to cultivate reading habits in these children and thereby prepare them for a better future.

(14) In 2014, CMC launched cooperation with “Buy Nearby” to organize vegetable and fruit charity sale at Simple Life Festival to realize philanthropy with the public in real action by purchasing homegrown organic vegetables and fruit from nearby farmers.

(15) In February 2015, CMC recruited supplies from employees and distributed them to Qoyaw Community in Fuxing District, Taoyuan City, for indigenous peoples living in remote areas to feel the warmth from CMC before Chinese New Year.

(16) Send love to the tribe village “Help Marketing of May Peach in Jianshi” in May 2015

Because of the warm climate in 2015, peaches were produced in abundance. Notwithstanding, the peaches planted by seven old ladies under the “natural framing method” in Jianshi Township, Hsinchu could not find sales channels to market their peaches because of the abundant production. The Corporation helped these old ladies market their peaches. As a result, the sales of group purchase by the Corporation amounted to NT\$200,000 in no more than one week.

(17) Direct delivery of organic vegetables from the tribe village to the Corporation for the Corporation’s organic vegetable day

In order to enable the indigenous farmers’ production and marketing to become more stable and to provide employees with healthy and fresh organic vegetables, the Corporation allied with farmers from tribes throughout Taiwan for the first time, and purchased the organic vegetables which are produced in small quantities and have unstable sale channels at reasonable cost, and supplied the vegetables to staff restaurants to benefit the Corporation’s employees.

(18) Start from China Motor Corporation: To raise second-hand digital cameras and send these cameras to the remote areas

In order to make Hagay Tribe children’s dreams come true and preserve the memories of home for them, the Corporation headed for Hagay Tribe, in which the people have lived in pre-fabricating housing for 12 years after their homeland was destroyed by torrential rain,

# Company Profile

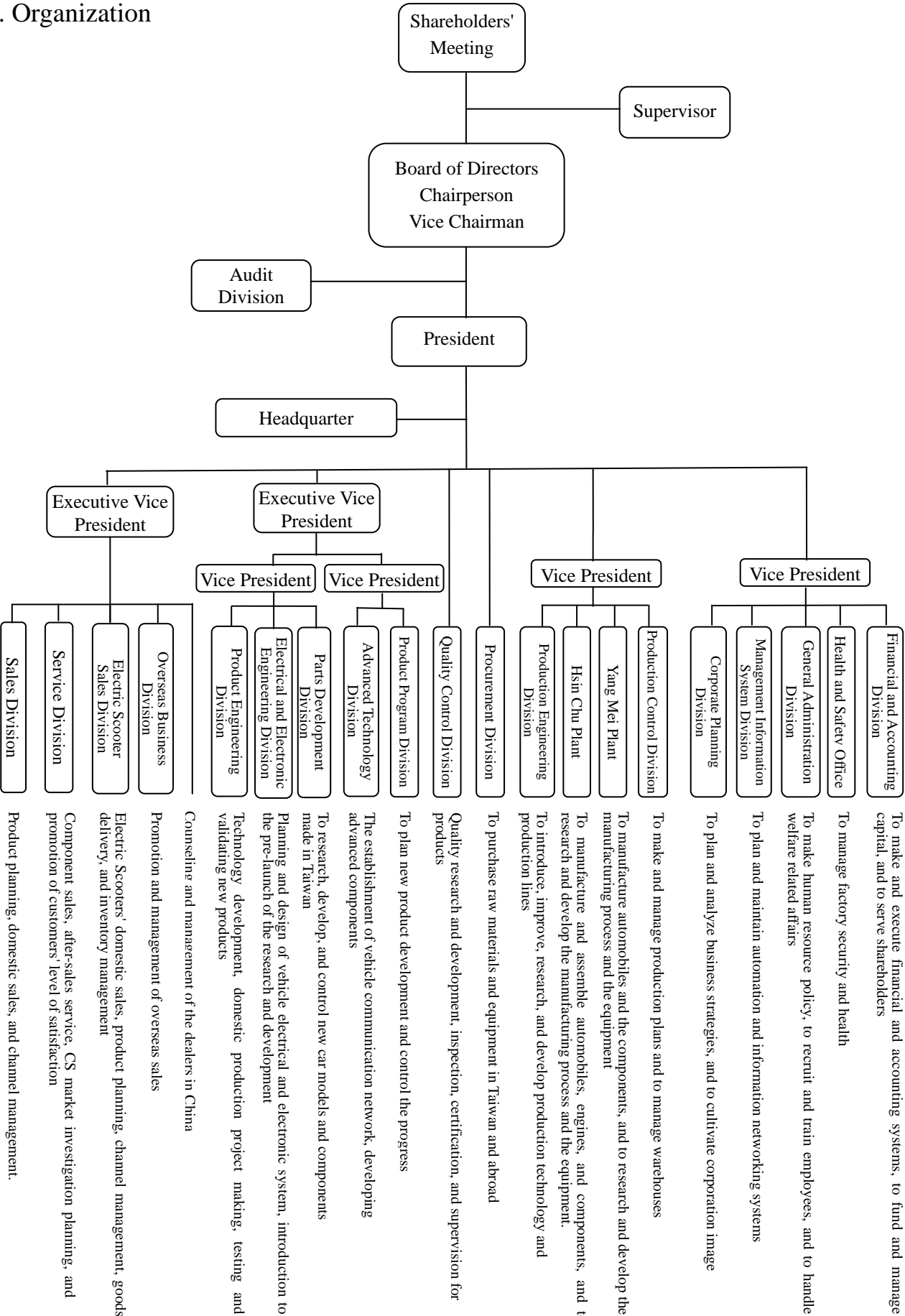
and taught the tribe children how to use cameras to help them keep preserve pictures of their homeland, which was about to be removed.

- (19) China Motor Corporation performed the down roots plan, offered the technical and vocational education 4.0, and donated 7 testing cars

In order to upgrade the technical and vocational system's educational resources and train more automobile talents, the Corporation has successively donated 7 testing cars to Chung Yuan Christian University, Chien Hsin University of Science and Technology, New Taipei Industrial Vocational High School, Yuming Vocational High School of Industry & Home Economics, and the "National Industry-Related Skills Competition of High School Students" as the prize for the automobile competition or the teaching material of technical and vocational schools. Meanwhile, China Motor Corporations also activated its "Down Roots Plan", and invited about 300 classmates from four schools in Taoyuan City, including National Taoyuan Senior High School, National Yang Mei High School, Chin Ping Senior High School and Lioho High School, to visit the Corporation's production line this year, in hopes of sharing with the classmates about the approach to save energy and reduce carbon and develop new energy technology in the form of diversified education. The Corporation will also continue to boost the "Down Roots Plan" to fulfill its corporate social responsibility.

# Company Profile

## I. Organization



# Corporate Governance

## II. Directors, Supervisors and Management Team

### (I) Information Regarding Board of Directors and Supervisors

Title	Nationality or Country of Incorporation	Name	Date Elected	First Elected Date	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding	
						Shares	%	Shares	%	Shares	%
Chairperson	R. O. C.	Yulon Motor Co., Ltd. Representative: Kenneth K. T. Yen	2013/6/18	1986/7/1	3 years	111,480,444 *16,621,212	8.05 1.20	111,480,444 *16,621,212	8.05 1.20	-	-

\* indicates personal owned shares

(Continued on the next page)

# Corporate Governance

April 30, 2016

Shareholdings in Others' Names		Education and Selected Past Positions	Current Positions	Other Directors, Board of Directors, or Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
-	-	Honorary Doctor of Business, St. John's University of New York (Positions are described as those in the right column.)	Chairperson, Yulon Motor Co., Ltd. Chairperson, Yulon Nissan Motor Co., Ltd. Chairperson, Tai Yuen Textile Co., Ltd. Chairperson, Sino Diamond Motor Corporation Chairperson, Hua-chuang Automobile Information Technical Center Co., Ltd. Chairperson, Luxgen Motor Co., Ltd. Chairperson, Fortune Motors Co., Ltd. Director, South East (Fujian) Motor Co., Ltd. Chairperson, Yen Tjing-Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation Chairperson, Vivian Wu Journalism Award Foundation Chairperson, Vivian Wu Industry and Commerce ECCC Foundation, etc. For details, please refer "Summary of Affiliated Companies."	Director	Li-lien Chen	Spouse

# Corporate Governance

(Continued from the previous page)

Title	Nationality or Country of Incorporation	Name	Date Elected	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding	
						Shares	%	Shares	%	Shares	%
Vice Chairman	R. O. C.	Tai Yuen Textile Co., Ltd. Representative: Hsin-Tai Liu	2013/6/18	2008/8/18	3 years	348,589,538 *14,560	25.19 -	348,589,538 *14,560	25.19 -	-	-
Director	Japan	Mitsubishi Motors Corporation Representative: Katsuro Asaoka	2013/6/18	2013/4/1	3 years	193,768,273	14.00	193,768,273	14.00	-	-
Director	R. O. C.	Tai Yuen Textile Co., Ltd., Representative: Hsin-I Lin	2013/6/18	1984/7/20	3 years	348,589,538	25.19	348,589,538	25.19	-	-

\* indicates personal owned shares.

(Continued on the next page)

# Corporate Governance

Shareholdings in Others' Names		Education and Selected Past Positions	Current Positions	Other Directors, Board of Directors, or Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
-	-	<p>Executives Program of Graduate School of Business Administration, National Chengchi University</p> <p>Dept. of Mechanical Engineering, National Cheng Kung University</p> <p>President, China Motors Corporation</p> <p>Positions are described as those in the right column.</p>	<p>Supervisor, Yulon Motor Co., Ltd.</p> <p>Director, Hua-chuang Automobile Information Technical Center Co., Ltd.</p> <p>Director, China Engine Corporation</p> <p>Director, South East (Fujian) Motor Co., Ltd.</p> <p>Director, Fortune Motors Co., Ltd.</p> <p>Director, Yen Tjing Ling Industrial Development Foundation</p> <p>Chairperson, Automotive Research &amp; Testing Center, etc.</p> <p>For details, please refer "Summary of Affiliated Companies."</p>	-	-	-
-	-	<p>Program on Chinese, Dept. of Tokyo University of Foreign Studies</p> <p>Positions are described as those in the right column.</p>	<p>Director, Fortune Motors Co., Ltd.</p> <p>Senior Expert, North Asia Office, Overseas Operations Group Headquarters A, Mitsubishi Motors Corporation</p>	-	-	-
-	-	<p>Dept. of Mechanical Engineering, National Cheng Kung University</p> <p>Deputy Minister, Executive Yuan and Minister, Council for Economic Planning and Development</p> <p>Minister, Ministry of Economic Affairs</p> <p>Chairperson, Taiwan Transportation Vehicle Manufacturers Association</p> <p>Vice Chairman and President, China Motor Corporation</p>	<p>Director, Yulon Motor Co., Ltd.</p> <p>Director, Tai-Yuen Textile Co., Ltd.</p> <p>Director, Acer Inc.</p> <p>Independent Director, E. SUN Financial Holding Co., Ltd.</p> <p>Independent Director, Sin Yi Realty Inc., , etc.</p>	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality or Country of Incorporation	Name	Date Elected	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding	
						Shares	%	Shares	%	Shares	%
Director	R. O. C.	Yulon Motor Co., Ltd. Representative: Li-Lien Chen	2013/6/18	1994/7/1	3 years	111,480,444	8.05	111,480,444	8.05	16,621,212	1.20
Director	R. O. C.	Tai-Yuen Textile Co., Ltd., Representative: Kuo-Rong Chen	2013/6/18	2004/6/24	3 years	348,589,538	25.19	348,589,538	25.19	-	-
Director	Japan	Mitsubishi Corporation, Representative: Yoshinori Yamazaki (Note)	2013/6/18	2016/4/1 (Note)	3 years	66,404,796	4.80	66,404,796	4.80	-	-

Note: Mitsubishi Corporation assigned Mr. Yoshinori Yamazaki in replacement of Mr. Ishikawa Zenta as its representative from April 1, 2016.

\* indicates personal owned shares.

(Continued on the next page)

# Corporate Governance

Shareholding in Others' Names		Education and Selected Past Positions	Current Positions	Other Directors, Board of Directors, or Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
-	-	Department of Physical Education, Chinese Culture University Positions are described as those in the right column.	Director, Yulon Motor Co., Ltd. General Director, Tai-Yuen Textile Co., Ltd Director, Yen Tjing Ling Medical Foundation, etc. For details, please refer "Summary of Affiliated Companies."	Chairperson	Kenneth K. T. Yen	Spouse
-	-	Executive Master of Business Administration, National Chiao Tung University President, Yulon Motors Co., Ltd.	Vice Chairman, Yulon Motor Co., Ltd. Director and Executive Assistant to the Chairperson, Yulon Nissan Motor Co., Ltd. Chairperson, Taiwan Acceptance Corporation Director, Hua-chuang Automobile Information Technical Center Co., Ltd. Director, Tai-Yuen Textile Co., Ltd. Vice Chairman, Luxgen Motor Co., Ltd. Director, Dong Feng Yulon Motor Co., Ltd. Vice Chairman, Shenzun Feng Shen Motor Co., Ltd. Vice Chairman, Guangzhou Feng Shen Motor Co., Ltd. Director, Yen Tjing Ling Industrial Development Foundation Director, Yen Tjing Ling Medical Foundation Director, Vivian Wu Journalism Award Foundation For details, please refer "Summary of Affiliated Companies."	-	-	-
-	-	Department of Economics, Faculty of Economics, Meiji Gakuin University Positions are described as those in the right column.	Director, Harbin DongAn Automotive Engine Manufacturing Co., Ltd Director, Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. General Manager, Motor Vehicle North Asia Dept., Motor Vehicle Business Division, Mitsubishi Corporation	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality or Country of Incorporation	Name	Date Elected	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor Shareholding	
						Shares	%	Shares	%	Shares	%
Independent Director	R. O. C.	Tsung-Jen Huang	2013/6/18	2013/6/18	3 years	-	-	-	-	-	-
Independent Director	R.O.C.	Robert Y.L., Mao	2013/6/18	2013/6/18	3 years	-	-	-	-	-	-
Supervisor	R. O. C.	Le Wen Enterprise Co., Ltd. Representative: Wei-Kung Chi	2013/6/18	1998/7/1	3 years	5,539,400	0.40	5,539,400	0.40	-	-
Supervisor	R. O. C.	Le Wen Enterprise Co., Ltd. Representative: Tai-Ming Chen	2013/6/18	2013/6/18	3 years	5,539,400	0.40	5,539,400	0.40	-	-

\* indicates personal owned shares..

# Corporate Governance

Shareholdings in Others' Names		Education and Selected Past Positions	Current Positions	Other Managers, Directors, or Supervisors Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
-	-	PhD of Computer Science, University of Wisconsin Positions are described as those in the right column.	Chairperson, SYSTEX Corporation Director, Taiwan Hopax Chemicals MGF Co., Ltd. Chairperson, AsiaVest Partners, TCW/YFY (Taiwan) Ltd. Chairperson (Legal Representative), Jing Pu Investment Co. Director (Legal Representative), Kimo.com (BVI) Corp. Director(Legal Representative), Systex Capital Group Inc. (BVI) Director(Legal Representative), Systex Solutions (HK) Ltd.	-	-	-
-	-	Master of Administration, MIT Master of Engineering, Cornell University Positions are described as those in the right column.	Chairperson, Hewlett-Packard Development Company, China Director, Ambit Broadband Corp. Independent Director, Yulon Nissan Motor Co., Ltd.	-	-	-
-	-	Master of Management Science, National Chao Tung University Positions are described as those in the right column.	Supervisor, Yulon Motor Co., Ltd. Supervisor, Taiwan Acceptance Corporation Chairperson, Carnival Co., Ltd. General Director and President, Tai-Yuen Textile Co., Ltd. Director, Yen Tjing Ling Medical Foundation Director, Yen Tjing Ling Industrial Development Foundation Director, Vivian Wu Industry and Commerce ECCC Foundation For details, please refer "Summary of Affiliated Companies."	-	-	-
-	-	Bachelor of Law, National Taiwan University Master of Law, Boston University New York State Attorney Adjunct Assistant Professor, Graduate Institute of Law, National Chengchi University	Senior Consultant, Jones Day Attorneys-at-Law Director, Taiwan Acceptance Corporation Independent Director, SIMPLO Technology Co., Ltd., etc. Supervisor, Yulon Nissan Motor Co., Ltd. Supervisor, Carnival Co., Ltd.	-	-	-

# Corporate Governance

Table 1: Major Shareholders of the Institutional Shareholders

April 30, 2016

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholders
1. Tai-Yuen Textile Co., Ltd.	1. Yulon Motor Co., Ltd. (20.85%) 2. Yen Tjing Ling Industrial Development Foundation (14.24%) 3. British Virgin Islands Hoffman Brother Investment Company (9.80%) 4. British Virgin Islands Evans Corporation (9.71%) 5. Cayman Islands West Bridge Investment Company (9.13%) 6. Li Yuan Investment Co., Ltd. (7.17%) 7. Yong Shun Investment Corporation (6.82%) 8. Li Peng Investment Co., Ltd. (5.61%) 9. Diamond Hosiery & Thread Co., Ltd. (4.55%) 10. Yuan Wei Investment Co., Ltd. (3.10%)
2. Yulon Motor Co., Ltd.	1. Tai-Yuen Textile Co., Ltd. (18.11%) 2. China Motors Corporation (15.06%) 3. Kenneth K. T. Yen (10.18%) 4. Nan Shan Life Insurance Company, Ltd. (4.39%) 5. CMC Investment Co., Ltd. (1.61%)(Note: The BOD resolved to consolidate with China Motors Corporation in March,2016) 6. Public Service Pension Fund Management Board (1.58%) 7. Fan-Terh Investment Co., Ltd. (1.51%) 8. Mercuries Life Insurance Co., Ltd. (1.22%) 9. Yen Tjing Ling Industrial Development Foundation (1.09%) 10. Labor Insurance Fund (0.99%)
3. Mitsubishi Motors Corporation	1. Mitsubishi Heavy Industries, Ltd (12.63%) 2. Mitsubishi Corporation (10.06%) 3. MHI Automotive Capital LLC MMC stock management anonymous combination 1 (3.92%) 4. Bank of Tokyo-Mitsubishi UFJ, Ltd (3.91%) 5. MHI Automotive Capital LLC MMC stock management anonymous combination 2 (3.45%) 6. Japan Trustee Services Bank (Trust Account) (2.23%) 7. The Master Trust Bank of Japan (Trust Account) (1.80%) 8. JP Morgan Chase Bank (1.67%) 9. THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (1.31%) 10. CBNY-GOVERNMENT OF NORWAY (1.24%)
4. Mitsubishi Corporation	1. Japan Trustee Services Bank (Trustee) (5.68%) 2. Tokyo Marine & Nichido Fire Insurance Co., Ltd. (4.70%) 3. The Master Trust Bank of Japan (Trust Account) (4.37%) 4. Meiji Yasuda Life Insurance Company (4.09%) 5. The Master Trust Bank of Japan (Mitsubishi Heavy Industries Ltd. • Retirement Benefits Trust Account) (2.03%) 6. STATE STREET BANK AND TRUST COMPANY - 505223 (1.61%) 7. Bank of Tokyo-Mitsubishi UFJ, Ltd. (1.61%) 8. THE BANK OF NEW YORK MELLON SA/NV 10 (1.47%) 9. The Nomura Trust and Banking Co., Ltd. (Retirement Benefits Trust • Mitsubishi UFJ Trust and Banking Corporation Account) (1.39%) 10. STATE STREET BANK WEST CLIENT - TREATY 505234 (1.29%)
5. Le Wen Enterprise Co., Ltd.	1. Kenneth K. T. Yen (99.88%) 2. Wavin Investment Corp. (0.04%) 3. Fan-Terh Investment Co., Ltd. (0.04%) 4. Li-lien Chen (0.02%) 5. Wei-kung Chi (0.02%)

# Corporate Governance

Table 2: The Major Shareholders of the Major Shareholders of the Institutional Shareholders in Table 1

April 30, 2016

Corporation Name	Major Shareholders of the Corporation
1. Yen Tjing Ling Industrial Development Foundation	Foundation constituted as a juristic person
2. British Virgin Islands Hoffman Brother Investment Company	The information is not available due to the limitations of local practices.
3. British Virgin Islands Evans Corporation	The information is not available due to the limitations of local practices.
4. Cayman Islands West Bridge Investment Company	The information is not available due to the limitations of local practices.
5. Li Yuan Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Vivian Wu Industry and Commerce ECCC Foundation (99.126%)</li> <li>2. Diamond Hosiery &amp; Thread Co., Ltd. (0.869%)</li> <li>3. Fan-Terh Investment Co., Ltd. (0.001%)</li> <li>4. Wei Tai Investment Co., Ltd. (0.001%)</li> <li>5. Le Wen Enterprise Co., Ltd. (0.001%)</li> <li>6. Vincent Investment Co., Ltd. (0.001%)</li> <li>7. Wavin Investment Corp. (0.001%)</li> </ol>
6. Yong Shun Investment Corporation	<ol style="list-style-type: none"> <li>1. Vivian Wu Industry and Commerce ECCC Foundation (99.083%)</li> <li>2. Diamond Hosiery &amp; Thread Co., Ltd. (0.912%)</li> <li>3. Fan-Terh Investment Co., Ltd. (0.001%)</li> <li>4. Wei Tai Investment Co., Ltd. (0.001%)</li> <li>5. Le Wen Enterprise Co., Ltd. (0.001%)</li> <li>6. Vincent Investment Co., Ltd. (0.001%)</li> <li>7. Wavin Investment Corp. (0.001%)</li> </ol>
7. Li Peng Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Vivian Wu Industry and Commerce ECCC Foundation (98.993%)</li> <li>2. Diamond Hosiery &amp; Thread Co., Ltd. (1.002%)</li> <li>3. Fan-Terh Investment Co., Ltd. (0.001%)</li> <li>4. Wei Tai Investment Co., Ltd. (0.001%)</li> <li>5. Le Wen Enterprise Co., Ltd. (0.001%)</li> <li>6. Vincent Investment Co., Ltd. (0.001%)</li> <li>7. Wavin Investment Corp. (0.001%)</li> </ol>
8. Diamond Hosiery & Thread Co., Ltd.	<ol style="list-style-type: none"> <li>1. British Virgin Islands Wanda Company (72.51%)</li> <li>2. Tai -Yuen Textile Co., Ltd. (21.97%)</li> <li>3. Yulon Motor Co., Ltd. (5.09%)</li> <li>4. Vivian Wu Industry and Commerce ECCC Foundation (0.1684%)</li> <li>5. Le Wen Enterprise Co., Ltd. (0.13%)</li> <li>6. Wavin Investment Corp. (0.13%)</li> <li>7. Kenneth K. T. Yen (0.0006%)</li> </ol>
9. Yuan Wei Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Vivian Wu Industry and Commerce ECCC Foundation (91.513%)</li> <li>2. Diamond Hosiery &amp; Thread Co., Ltd (8.477%)</li> <li>3. Fan-Terh Investment Co., Ltd. (0.002%)</li> <li>4. Wei Tai Investment Co., Ltd. (0.002%)</li> <li>5. Le Wen Enterprise Co., Ltd. (0.002%)</li> <li>6. Vincent Investment Co., Ltd. (0.002%)</li> <li>7. Wavin Investment Corp. (0.002%)</li> </ol>

# Corporate Governance

Corporation Name	Major Shareholders of the Corporation
10. China Motor Corporation	<ol style="list-style-type: none"> <li>1. Tai-Yuen Textile Co., Ltd. (25.19%)</li> <li>2. Mitsubishi Motors Corporation (14.00%)</li> <li>3. Yulon Motor Co., Ltd. (8.05%)</li> <li>4. Diamond Hosiery &amp; Thread Co., Ltd (6.76%)</li> <li>5. Mitsubishi Corporation (4.80%)</li> <li>6. Cathay Life Insurance Co., Ltd. (2.97%)</li> <li>7. Nan Shan Llife Insurance Company, Ltd. (1.71%)</li> <li>8. Kenneth K. T. Yen (1.20%)</li> <li>9. New Labor Pension Fund (0.99%)</li> <li>10. Deutsche Bank (0.92%)</li> </ol>
11. Nan Shan Life Insurance Company, Ltd.	<ol style="list-style-type: none"> <li>1. First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (76.46%)</li> <li>2. Ruen Chen Investment Holding Co., Ltd. (14.16%)</li> <li>3. Y. T. Du (3.25%)</li> <li>5. Ruen Hua Dyeing &amp; Weaving Co., Ltd. (0.28%)</li> <li>6. Ruentex Leasing Co., Ltd. (0.15%)</li> <li>7. Chi-Pin Investment Company (0.11%)</li> <li>8. Boon-Teik Koay (0.11%)</li> <li>4. Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (0.06%)</li> <li>9. Pou Huei Investments Co., Ltd. (0.05%)</li> <li>10. Pou Hwang Investments Co., Ltd. (0.05%)</li> <li>11. Pou Yih Investments Co., Ltd. (0.05%)</li> <li>12. Pou Chi Investments Co., Ltd. (0.05%)</li> </ol>
12. CMC Investment Co., Ltd.(Note)	China Motor Corporation (100%)
13. Public Service Pension Fund Management Board	Not applicable
14. Fan-Terh Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Wei Tai Investment Co., Ltd. (33.36%)</li> <li>2. Wavin Investment Corp. (33.30%)</li> <li>3. Le Wen Enterprise Co., Ltd. (33.30%)</li> <li>4. Chuan-Lin Zhu (0.02%)</li> <li>5. Wei Kung Chi (0.02%)</li> </ol>
15. Mercuries Life Insurance Co., Ltd.	<ol style="list-style-type: none"> <li>1. MERCURIES &amp; ASSOCIATES, HOLDING LTD. (44.47%)</li> <li>2. Shang Lin Investment Co., Ltd. (6.20%)</li> <li>3. Shu Ren Investment Co., Ltd. (5.52%)</li> <li>4. Mercuries Fu Bao Co., Ltd. (2.90%)</li> <li>5. New Labor Pension Fund (1.63%)</li> <li>6. HSBC Trustee Account For Morgan Stanley &amp; Co., International Limited, (0.86%)</li> <li>7. Shin Kong Life Insurance Co., Ltd. (0.73%)</li> <li>8. JPMorgan Chase Trustee Account For Saudi Arabian Monetary Agency Quoni Investment Account (0.69%)</li> <li>9. Napoli Co., Ltd. (0.61%)</li> <li>10. Standard Chartered Bank Trustee Account For BlackRock Global SmallCap Fund (0.57%)</li> </ol>
16. Labor Insurance Fund	Not applicable

Note: The BOD fo CMC Investment resolved to consolidate with China Motors Corporation in March,2016.

# Corporate Governance

Corporation Name	Major Shareholders of the Corporation
17. Mitsubishi Heavy Industries Co., Ltd.	<ol style="list-style-type: none"> <li>1. The Master Trust Bank of Japan (Trustee Account) (4.59%)</li> <li>2. Japan Trustee Services Bank (Trustee Account) (3.90%)</li> <li>3. The Nomura Trust and Banking Co., Ltd. (Retirement Benefits Trust • Bank of Tokyo-Mitsubishi UFJ, Ltd. Account)(3.72%)</li> <li>4. Meiji Yasuda Life Insurance Company (2.37%)</li> <li>5. THE BANK OF NEW YORK MELLON SA/NV (2.08%)</li> <li>6. CBNY-GOVERNMENT OF NORWAY (1.39%)</li> <li>7. STATE STREET BANK WEST CLIENT - TREATY 505234 (1.36%)</li> <li>8. The Nomura Trust and Banking Co., Ltd. (Retirement Benefits Trust •Mitsubishi UFJ Trust and Banking Corporation Account)(1.36%)</li> <li>9. Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. (1.21%)</li> <li>10. Japan Trustee Services Bank (Trustee Account 1) (1.01%)</li> </ol>
18. MHI Automotive Capital LLC MMC stock management anonymous combination 1	The information is not available due to the limitations of local practices.
19. Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mitsubishi UFJ FINANCIAL GROUP (100%)
20.MHI Automotive Capital LLC MMC stock management anonymous combination 2	The information is not available due to the limitations of local practices.
21. Japan Trustee Service Bank(Trustee Account)	<ol style="list-style-type: none"> <li>1. Sumitomo TRUST HOLDINGS (66.66%)</li> <li>2. RESONA Bank (33.33%)</li> </ol>
22. The Master Trust Bank of Japan (Trustee Account)	<ol style="list-style-type: none"> <li>1. Mitsubishi UFJ Trust and Banking Corporation (46.50%)</li> <li>2. Nippon Life Insurance Co. (33.50%)</li> <li>3. Meiji Yasuda Life Insurance Co. (10.00%)</li> <li>4. The Norinchukin Trust &amp; Banking Co., Ltd. (10.00%)</li> </ol>
23. JP Morgan Bank	The information is not available due to the limitations of local practices.
24.THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	The information is not available due to the limitations of local practices.
25. CBNY-GOVERNMENT OF NORWAY	COMMUNITY NATIONAL BANCORP.(100%)
26. Tokio Marine & Nichido Fire Insurance Co., Ltd.	Tokio Marine Holdings Co. (100%)
27. Meiji Yasuda Life Insurance Company	The information is not available due to the limitations of local practices.
28. STATE STREET BANK AND TRUST COMPANY- 505223	The information is not available due to the limitations of local practices.
29. THE BANK OF NEW YORK MELLON SA/NV 10	The information is not available due to the limitations of local practices.
30. The Nomura Trust and Banking Co., Ltd.	The Nomura Holdings Co. (100%)
31. STATE STREET BANK WEST CLIENT - TREATY— 505234	The information is not available due to the limitations of local practices.

# Corporate Governance

Corporation Name	Major Shareholders of the Corporation
31. Wavin Investment Co., Ltd.	<ol style="list-style-type: none"><li>1. Kenneth K. T. Yen (99.4%)</li><li>2. Wei Tai Investment Co., Ltd. (0.1%)</li><li>3. Le Wen Enterprise Co., Ltd. (0.1%)</li><li>4. Fan-Terh Investment Co., Ltd. (0.1%)</li><li>5. Jing Yu Investment Co., Ltd. (0.1%)</li><li>6. Yu Xin Investment Co., Ltd. (0.1%)</li><li>7. Li-Lien Chen (0.1%)</li></ol>

# Corporate Governance

## (II) Directors' and Supervisors' Professional Qualifications and Independent Analysis

April 30, 2016

Criteria	Meet the Following Professional Qualification Requirements Together with at Least Five Years Work Experience			Criteria (Note)										Number of Other Taiwanese Public Companies Currently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Kenneth K. T. Yen	-	-	✓	✓	-	-	-	-	-	✓	-	✓	-	-
Hsin-Tai Liu	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	-
Katsuro Asaoka	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	-
Hsin-I Lin	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	2
Li-Lien Chen	-	-	✓	✓	-	-	-	-	-	✓	-	✓	-	-
Kuo-Rong Chen	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	-
Yoshinori Yamazaki	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	-
Tsung-Jen Huang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Robert Y.L., Mao	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Kung Chi	-	-	✓	✓	-	✓	✓	-	-	✓	✓	✓	-	1
Tai-Ming Chen	✓	✓	✓	✓	-	✓	✓	-	-	-	✓	✓	-	1

Note: If the Directors or Supervisors meet any of the following situations two years before being elected or during the term of office, please mark "✓" in the appropriate corresponding boxes.

- Not an employee of the Corporation or any of its affiliates.
- Not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the Corporation, its parent company, or any subsidiary in which the Corporation holds, directly or indirectly, more than 50% of the voting shares.)
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, , minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Corporation or ranks as one of its top ten shareholders.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
- Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Corporation or ranks as one of its top five shareholders.
- Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Corporation.
- Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Corporation or to any affiliate of the Corporation, or a spouse thereof.
- Not a spouse, or relative within the second degree of the kinship with other directors.
- Not been a person of any conditions defined in Article 30 of the Company Law.
- Not a government, juridical person, or its representative elected under the definition of Article 27 of the Company Law.

# Corporate Governance

## (III) Information Regarding President, Executive Vice President, Vice President, and General Manager of Each Department

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
President	R. O. C.	Chao-Wen Chen	2015/6/1	-	-	-	-	-	-
Special Assistant of Chairperson (Executive Vice President)	R. O. C.	Ching-Kuo Sung	2009/6/16	16,779	-	-	-	-	-
Executive Vice President	R. O. C.	Chi-Se Tso	2010/12/1	7,812	-	-	-	-	-
Executive Vice President	R. O. C.	Te-Jun Lo	2011/2/1	47,356	-	231	-	-	-

(Continued on the next page)

# Corporate Governance

April 30, 2016

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
<p>Executives Program of Graduate School of Business Administration, National Chengchi Univeristy                      Dept. of Chemical Engineering, Chung Yuan Christian University                      Executive Vice President, China Motor Corporation (Note)                      General Manager, Production Engineering Division, China Motor Corporation</p>	<p>Director, Taiwan Acceptance Corporation                      Director, Fortune Motors Co., Ltd.                      Director, Shung Ye Motor Enterprise                      Director, Tokio Marine Newa Insurance Co., Ltd.                      Director, Hua-chuang Automobile Information Technical Center Co., Ltd.                      Director, Tai Yuen Venture Capital Investment Corp.                      For details, please refer "Summary of Affiliated Companies."</p>	-	-	-
<p>Executives Program of Graduate School of Business Administration, National Chengchi Univeristy                      MBA Program, National Chengchi University                      Executive Vice President, China Motor Corporation                      President, Fortune Motors Co., Ltd.                      Chief Counselor, Executive Yuan</p>	<p>Director and Special Assistant of Chairperson, Fortune Motors Co., Ltd.                      Independent Director, Intai Technology Corp.</p>	-	-	-
<p>Executives Program of Graduate School of Business Administration, National Chengchi Univeristy                      Department of Systems and Naval Mechatronic Engineering, National Cheng Kung University                      Vice President, China Motor Corporation                      Project Vice President, Product Program Division, China Motor Corporation                      General Manager, Engineering Division, China Motor Corporation                      General Manager, Overseas Business Division, China Motor Corporation</p>	<p>President, South East (Fujian) Motor Co., Ltd.</p>	-	-	-
<p>Executive Master of Business Administration, School of Management, National Central University                      Vice President, China Motor Corporation                      General Manager, Marketing Division, China Motor Corporation                      Plant General Manager, Yang Mei Plant, China Motor Corporation                      General Manager, Procurement Division, China Motor Corporation                      General Manager, Service Division, China Motor Corporation                      General Manager, Quality Control Division, China Motor Corporation</p>	<p>President, Sino Diamond Motor Corporation                      President, Huang Chung Motor Co., Ltd.                      Chairperson, Ling Wei Motor Co., Ltd.                      Director, CARPLUS Auto Leasing Corporation                      Director, Shung Ye Motor Enterprise                      Director, Shin Gan Co., Ltd.                      Director, Sinjiang Co., Ltd.                      Director, Zhejiang Kangda Motor Industry And Trading Co., Ltd.                      Supervisor, Fortune Motors Co., Ltd.                      For details, please refer "Summary of Affiliated Companies."</p>	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
Executive Vice President	R. O. C.	Ching-Ya Chen	2015/1/1	27,661	-	-	-	-	-
Special Assistant	R. O. C.	Ming-Lin Chang	2014/1/21	15	-	-	-	-	-
Vice President	R. O. C.	Shih-Ho Chang	2007/6/4	-	-	-	-	-	-
Vice President	R. O. C.	Kuo-Chi Wang	2008/1/1	20,163	-	583	-	-	-
Vice President	R. O. C.	Chih-Hsiung Wu	2012/1/1	4,000	-	-	-	-	-
Vice President	R. O. C.	Hsin-Cheng Tseng	2012/1/1	-	-	-	-	-	-

(Continued on the next page)

# Corporate Governance

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
<p>Executives Program of Graduate School of Business Administration, National Chengchi University  Graduate Institute of Mechanical Engineering, National Cheng Kung University  Vice President, China Motor Corporation  General Manager, Parts Development Division, China Motor Corporation</p>	<p>Director, Uni-Calsonic Corp.  Director, ROC Spicer Ltd.  Director, Taiway Industry Co., Ltd.  Director, Yueki Industry Co. Ltd.  For details, please refer "Summary of Affiliated Companies."</p>	-	-	-
<p>Graduate Institute of Business Administration, Dayeh University  Director and President, Shung Ye Motor Enterprise  General Manager, Service Division, China Motor Corporation  General Manager, Sales Division, China Motor Corporation</p>	-	-	-	-
<p>Graduate Institute of Finance, National Taiwan University  General Manager, Corporate Planning Division, China Motor Corporation  General Manager, Service Division, China Motor Corporation  President, Chrysler LLC, Taiwan</p>	<p>Executive Vice President, Fujian Benz Automotive Co., Ltd.</p>	-	-	-
<p>MBA Program, National Chengchi University  General Manager, Sales Division, China Motor Corporation</p>	<p>Director and President, Shung Ye Motor Enterprise  Director, An Er Fu Co., Ltd.  Director, Hwa Chung Insurance Agency Co., Ltd.  Director, Shun Xin Motor Corporation</p>	-	-	-
<p>Graduate Institute of Business Administration, National Central University  Executive Vice President, Fujian Benz Automotive Co., Ltd.  General Manager, Product Program Division, China Motor Corporation</p>	<p>Director, Uni-Calsonic Corp.  Director, Uni Auto Parts Manufacture Co., Ltd.  Director, Fujian Benz Automotive Co., Ltd.  Director, China Engine (Fujian) Co., Ltd.  For details, please refer "Summary of Affiliated Companies."</p>	-	-	-
<p>MBA Program, National Chengchi University  Special Assistant, China Motor Corporation  General Manager, Service Division, China Motor Corporation</p>	<p>Executive Vice President, South East (Fujian) Motor Co., Ltd.</p>	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
Vice President	R. O. C.	Ya-Cheng Hsiao	2013/1/1	-	-	-	-	-	-
Vice President	R. O. C.	Allan Yang	2013/2/1	28,487	-	-	-	-	-
Vice President	R. O. C.	Te-Chao Huang	2014/1/1	661	-	95	-	-	-
Vice President	R. O. C.	Ching-Wu Chien	2014/1/1	-	-	-	-	-	-
Vice President	R. O. C.	Shing JuChen	2016/1/1	11,553	-	20,000	-	-	-
Vice President	R. O. C.	Hung-Ching Yang	2016/1/1	-	-	-	-	-	-

(Continued on the next page)

# Corporate Governance

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
Department of Mechanical Engineering, National Taiwan University of Science and Technology Project General Manager, Procurement Division, China Motor Corporation General Manager, Procurement Division, South East (Fujian) Motor Co., Ltd.	Director and President, Gatetec Technology Inc. For details, please refer "Summary of Affiliated Companies."			
Department of Mechanical Engineering, Feng Chia University General Manager, Product Program Division, China Motor Corporation Project General Manager, Engineering Division, China Motor Corporation Project General Manager, Parts Development Division, China Motor Corporation	President, Uni Auto Parts Manufacture Co., Ltd. Director, Uni Auto Investment Co., Ltd. Director, Hangzhou Lien Jun Transportation Equipment Co., Ltd. Director, Fuzhou Lien Hong Transportation Equipment Co., Ltd. Director, Guangzhou Ri Cheng Spring Co., Ltd.	-	-	-
Department of Law, Chinese Culture University General Manager, General Administration Division, China Motor Corporation Project General Manager, General Administration Division, China Motor Corporation	Chairperson and President, Brilliant Insight International Consultancy Service Co., Ltd. For details, please refer "Summary of Affiliated Companies."	-	-	-
MBA Program, National Chengchi University General Manager, Sales Division, China Motor Corporation General Manager, Marketing Division, China Motor Corporation	Director, Alliance Investment & Management Co., Ltd. Director, Yulon IT Solutions Inc. Director, Tokio Marine Newa Insurance Co., Ltd. Director, Zhejiang Kangda Motor Industry And Trading Co., Ltd. Director, Tianjin Hwarui Maintenance Co., Ltd. Director, Dongguan Huayi Motor Maintenance Co., Ltd. Director, Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd. Director, Guangzhou Huayou Motor Maintenance Co., Ltd. Supervisor, Shung Ye Motor Enterprise For details, please refer "Summary of Affiliated Companies."	-	-	-
Department of Mechanical and Computer-Aided Engineering, Feng Chia University General Manager, Product Engineering Division General Manager, Product Program and Testing Division, China Motor Corporation Project General Manager, Engineering Division, China Motor Corporation	Director, COC Tooling & Stamping Co., Ltd.	-	-	-
Department of Mechanical and Electromechanical Engineering, National Sun Yat-sen University General Manager, Parts Development Division Project General Manager, Electrical and Electronic Engineering Division, China Motor Corporation	-	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
Vice President	R. O. C.	Chin-Yuan Hsieh	2016/4/1	576	-	-	-	-	-
Vice President	R. O. C.	Min-Chang Lee	2016/4/1	1,740	-	-	-	-	-
General Manager, Procurement Division	R. O. C.	Chiung-chih Tseng	2005/1/1	46,415	-	-	-	-	-
Plant General Manager, Hsin Chu Plant	R. O. C.	Chun-Hung Hu	2003/2/1	251	-	-	-	-	-
General Manager, Management Information System Division	R. O. C.	Cheng-Chang Huang	2009/2/1	26,644	-	-	-	-	-
General Manager, Service Division	R. O. C.	Li-Wei Wang	2013/4/1	-	-	-	-	-	-
General Manager, Electrical and Electronic Engineering Division	R. O. C.	Tsung-Yih Tsai	2007/1/1	2,076	-	3,193	-	-	-

(Continued on the next page)

# Corporate Governance

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
MBA Program, Chung Yuan Christian University General Manager, Production Control Division, China Motor Corporation Plant General Manager, Yang Mei Plant, China Motor Corporation Plant General Manager, Hsin Chu Plant, China Motor Corporation	President Assistant, South East (Fujian) Motor Co., Ltd.	-	-	-
Department of Mechanical, National Taipei University of Technology General Manager, Quality Control Division General Manager, Parts Development Division	Director, Fuzhou Xin Mi Electric Co., Ltd. Gr. Leader of Development Division and Procurement Division, South East (Fujian) Motor Co., Ltd.	-	-	-
Department of Mechanical and Electro-Mechanical Engineering, Tamkang University Project General Manager, Procurement Division, China Motor Corporation	Director, ROC Spicer Ltd. Director, Xin Mi Co., Ltd. Director, Fuzhou Fushiang Motor Co., Ltd Director, Fuzhou Lien Hong Transportation Equipment Co., Ltd. For details, please refer "Summary of Affiliated Companies."	-	-	-
Department of Mechanical Engineering, Minghsin University of Science and Technology Project General Manager, Hsin Chu Plant, China Motor Corporation	Director, Gatetec Technology Inc.	-	-	-
Department of Industrial Engineering and Engineering Management, National Tsing Hua University Project General Manager, Management Information System Division, China Motor Corporation	Director, Yulon IT Solutions Inc.	-	-	-
Graduate Institute of Mechanical Engineering, National Chiao Tung University General Manager, Electric Scooter Sales Division, China Motor Corporation General Manager, Overseas Business Division, China Motor Corporation General Manager of SEM, China Motor Corporation Project General Manager, Sales Division, China Motor Corporation	Director, Ling Wei Motor Co., Ltd.	-	-	-
Master of Science (Mechanical and Aerospace Engineering) , State University of New York(Buffalo)	-	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
General Manager, Financial and Accounting Division	R. O. C.	Mei-Chu Tai	2010/4/1	-	-	-	-	-	-
General Manager, Production Control Division	R. O. C.	Ching-Chi Chen	2009/2/1	172	-	-	-	-	-
General Manager, Production Engineering Division	R. O. C.	Tung-Tai Hsiung	2011/2/1	-	-	-	-	-	-
General Manager, Overseas Business Division	R. O. C.	Kuo-Hsiung Peng	2014/1/1	29,038	-	-	-	-	-
General Manager, Product Program Division	R. O. C.	Ching-Yun Liao	2015/4/1	73	-	-	-	-	-
General Manager, Parts Development Division	R. O. C.	Kuo-Wei Huang	2016/1/1	-	-	-	-	-	-
General Manager, Sales Division	R. O. C.	Alex Chen	2015/7/16	1,450	-	-	-	-	-
General Manager, Product Engineering Division	R. O. C.	Kun-Yi Liu	2016/1/1	-	-	-	-	-	-

(Continued on the next page)

# Corporate Governance

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
Executive Master of Business Administration, National Chiao Tung University Project General Manager, Financial and Accounting Division, China Motor Corporation	Supervisor, Hua-Chuang Automobile Information Technical Center Co., Ltd. Supervisor, Xin Mi Co., Ltd. Supervisor, Fuzhou Fushiang Motor Co., Ltd. Supervisor, Zhejiang Kangda Motor Industry And Trading Co., Ltd. Supervisor, Fuzhou Xin Mi Electric Co., Ltd. For details, please refer “Summary of Affiliated Companies.”	-	-	-
Department of Business Administration, Aletheia University Project General Manager, Production Control Division, China Motor Corporation	-	-	-	-
Graduate Institute of Business Administration, National Central University Graduate Institute of Mechanical Engineering, National Cheng Kung University Project General Manager, Production Engineering Division, China Motor Corporation	-	-	-	-
Department of Industrial and Information Management, National Cheng Kung University Project General Manager, Sales Division, China Motor Corporation	Director and President, GreenTrans Corporation	-	-	-
Graduate Institute of Mechanical Engineering, National Cheng Kung University Project General Manager, Product Engineering Division, China Motor Corporation	-	-	-	-
Graduate Institute of Mechanical Engineering,, National Taiwan University Project General Manager, Parts Development, China Motor Corporation	-	-	-	-
MBA, University of Texas at San Antonio Project General Manager, Sales Division, China Motor Corporation	Director, Sino Diamond Motor Corporation For details, please refer “Summary of Affiliated Companies.”	-	-	-
Graduate Institute of Mechanical Engineering, National Cheng Kung University Project General Manager, Product Engineering Division, China Motor Corporation	-	-	-	-

# Corporate Governance

(Continued from the previous page)

Title	Nationality	Name	Date Effective	Shareholding		Spouse and Minor Shareholding		Shareholdings in Others' Names	
				Shares	%	Shares	%	Shares	%
Plant General Manager, Yang Mei Plant	R. O. C.	Szu-Chung Chiu	2016/1/1	-	-	-	-	-	-
General Manager, Quality Control Division	R. O. C.	Yueh-Feng Wu	2012/1/1	-	-	-	-	-	-
General Manager, Corporate Planning Division	R. O. C.	Yu-Chun Su	2015/1/1	-	-	-	-	-	-
General Manager, Audit Division	R. O. C.	Fu-Tang Hou	2014/1/1	386	-	-	-	-	-
General Manager, General Administration Division	R. O. C.	Tien-Fu Chang	2016/1/1	-	-	-	-	-	-
General Manager, Electric Scooter Sales Division	R. O. C.	I-Yuan Huang	2016/1/1	611	-	-	-	-	-

# Corporate Governance

Education and Selected Past Positions	Current Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
Graduate Institute of Engineering Science and Ocean Engineering, National Taiwan University Project General Manager, Yang Mei Plant, China Motor Corporation	-	-	-	-
Department of Mechanical Engineering, National Pingtung University of Science and Technology	-	-	-	-
Institute of Public Affairs Management, National Sun Yat-sen University General Manager, General Administration Division, China Motor Corporation Project General Manager, Financial and Accounting Division, China Motor Corporation	-	-	-	-
Graduate Institute of Management, National Central University	Supervisor, UTAC-Taiwan Co., Ltd.	-	-	-
Graduate Institute of Industrial and Systems Engineering, Chung Yuan Christian University Project General Manager, General Administration Division, China Motor Corporation	Director, Brilliant Insight International Consultancy Service Co., Ltd.	-	-	-
Department of Industrial Management, I-SHOU University	Director, GreenTrans Co., Ltd.	-	-	-

# Corporate Governance

## (IV) Remuneration Paid to Board of Directors, Supervisors, President, and Executive Vice President in the Latest Year

### 1. Remuneration Paid to Directors

Title	Name	Director's Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income	
		Compensation (A)		Pensions(B)		Remuneration (C)		Allowances(D)		From the Corporation	From All Consolidated Entities
		From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities		
Chairperson	Kenneth K. T. Yen	30,669	30,669	-	-	14,557 (Note1)	14,557	3,704 (Note2)	3,764	1.55	1.55
Vice Chairman	Hsin-Tai Liu										
Director	Katsuro Asaoka										
Director	Hsin I Lin										
Director	Li-Lien Chen										
Director	Kuo-Rong Chen										
Director	Yoshinori Yamazaki (Note 1)										
Independent Director	Tsung-Jen Huang										
Independent Director	Robert Y.L., Mao										

Note : 1. The earnings distribution was paid to Corporate Directors but not its representatives.

- (1) Chairperson Kenneth K. T. Yen and Director Li-Lien Chen are representatives of Yulon Motor Co., Ltd.
  - (2) Vice Chairman Hsin-Tai Liu, Director Hsin-I Lin and Kuo-Rong Chen are representatives of Tai-Yuen Textile Co., Ltd.
  - (3) Director Katsuro Asaoka is representative of Mitsubishi Motors Corporation.
  - (4) Director Yoshinori Yamazaki is representative of Mitsubishi Corporation. Mitsubishi Corporation assigned Mr. Yoshinori Yamazaki in replacement of Mr. Ishikawa Zenta as its representative from April 1, 2016.
2. The above-mentioned figures include depreciation expense for official business cars NT\$263 thousand, gasoline NT\$66 thousand, rent NT\$802 thousand, and other expenses NT\$32 thousand. Besides, compensation paid to the drivers is NT\$1,570 thousand.

# Corporate Governance

Unit: NT\$thousands/thousand shares

Compensation Earned by a Director Who is an Employee of the Corporation or of the Corporation's Consolidated Entities												Total Compensation (A+B+C+D+E+F+G) as a % of Net Income (%)	Compensation Paid to Directors from Non-consolidated Affiliates (J)	
Compensation, Bonuses, and Allowances (E)		Pensions (F)		Employee Compensation (G)				Exercisable "Employee Stock Options" (H)		Granted "new restricted employee shares" (I)				
From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation		From All Consolidated Entities		From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	
				Cash	Stock	Cash	Stock							
27,624 (Note 2)	28,349	-	-	71	-	71	-	-	-	-	-	2.42	2.44	21,026

# Corporate Governance

Remuneration	Name of Director			
	Total Remuneration(A+B+C+D)		Total Compensation(A+B+C+D+E+F+G)	
	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities and Non-consolidated Affiliate (Note)
Under NT\$2,000,000	Mitsubishi Motors Corporation Mitsubishi Corporation Hsin-Tai Liu Katsuro Asaoka Hsin-I Lin Li-Lien Chen Kuo-Rong Chen Yoshinori Yamazaki Tsun-Jen Huang RobertY.L., Mao	Mitsubishi Motors Corporation Mitsubishi Corporation Hsin-Tai Liu Katsuro Asaoka Hsin-I Lin Li-Lien Chen Kuo-Rong Chen Yoshinori Yamazaki Tsun-Jen Huang RobertY.L., Mao	Mitsubishi Motors Corporation Mitsubishi Corporation Katsuro Asaoka Li-Lien Chen Kuo-Rong Chen Yoshinori Yamazaki Tsun-Jen Huang RobertY.L., Mao	Mitsubishi Motors Corporation Mitsubishi Corporation Katsuro Asaoka Li-Lien Chen Kuo-Rong Chen Yoshinori Yamazaki Tsun-Jen Huang RobertY.L., Mao
NT\$2,000,000 ~ NT\$5,000,000	Tai-Yuen Textile Co., Ltd.	Tai-Yuen Textile Co., Ltd.	Tai-Yuen Textile Co., Ltd.	Tai-Yuen Textile Co., Ltd.
NT\$5,000,000 ~ NT\$10,000,000	Yulon Motor Co., Ltd.	Yulon Motor Co., Ltd.	Yulon Motor Co., Ltd. Hsin-I Lin	Yulon Motor Co., Ltd.
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	Hsin-I Lin
NT\$15,000,000 ~ NT\$30,000,000	-	-	Hsin-Tai Liu	Hsin-Tai Liu
NT\$30,000,000 ~ NT\$50,000,000	Kenneth K. T. Yen	Kenneth K. T. Yen	Kenneth K. T. Yen	Kenneth K. T. Yen
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9	9	9	9

Note: The remuneration paid to Director from non-consolidated affiliates shall be included in this column.

# Corporate Governance

## 2. Remuneration Paid to Supervisors

Unit: NT\$ thousands

Title	Name	Remuneration Paid to Supervisors						Total Remuneration (A+B+C+D) as a % of Net Income		Compensation Paid to Supervisors from Nonconsolidated Affiliates
		Compensation(A)		Remuneration (B)		Allowances(C)		From the Corporation	From All Consolidated Entities	
		From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities			
Supervisor	Wei-Kung Chi	-	-	2,911	2,911	240	264	0.10	0.10	120
Supervisor	Tai-Ming Chen			(Note)						

Note : The earnings distribution was paid to Corporate Supervisors but not its representatives.

Remuneration	Name of Supervisor	
	Total Remuneration (A + B + C)	
	From the Corporation	From All Consolidated Entities and Non-consolidated Affiliates (Note)
Under NT\$2,000,000	Wei-Kung Chi Tai-Ming Chen	Wei-Kung Chi Tai-Ming Chen
NT\$ 2,000,000~ NT\$5,000,000	Le Wen Enterprise Co., Ltd.	Le Wen Enterprise Co., Ltd.
NT\$ 5,000,000~ NT\$10,000,000	-	-
NT\$10,000,000~ NT\$15,000,000	-	-
NT\$15,000,000~ NT\$30,000,000	-	-
NT\$30,000,000~ NT\$50,000,000	-	-
NT\$50,000,000~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	2	2

Note: The remuneration paid to Supervisor from non-consolidated affiliates shall be included in this column.

# Corporate Governance

## 3. Remuneration Paid to President and Executive Vice President

Unit: NT\$ thousands/thousand shares

Title	Name	Compensation (A)		Pensions (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total Compensation (A+B+C+D) as a % of Net Income (%)		Exercisable "Employee Stock Options"		Granted "new restricted employee shares"		Compensation from Nonconsolidated Affiliates
		From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	the Corporation	From All Consolidated Entities	From the Corporation		From All Consolidated Entities		From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	From the Corporation	From All Consolidated Entities	
								Cash	Stock	Cash	Stock							
President(Note1)	Chao-Wen Chen																	
Chairperson's Special Assistant (Executive Vice President)	Ching-Kuo Sung	9,802	12,429	-	-	36,481	37,580	197	-	246	-	1.47	1.59	-	-	-	-	805
Executive Vice President	Chi-Se Tso																	
Executive Vice President	Te-Jun Lo																	
Executive Vice President	Ching-Ya Chen																	

Note: The above-mentioned figures include depreciation expense for official business cars NT\$367 thousand, gasoline NT\$273 thousand, rent NT\$265 thousand, and other expenses NT\$135 thousand. Besides, compensation paid to the drivers is NT\$2,304 thousand.

Remuneration	Name of President and Executive Vice President	
	The Corporation	From All Consolidated Entities and Non-consolidated Affiliates (Note)
Under NT\$2,000,000	-	-
NT\$2,000,000 ~ NT\$ 5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	Chi-Se Tso Te-Jun Lo Ching-Ya Chen	Te-Jun Lo Ching-Ya Chen
NT\$10,000,000~ NT\$15,000,000	Chao-Wen Chen Ching-Kuo Sung	Chao-Wen Chen Ching-Kuo Sung Chi-Se Tso
NT\$15,000,000~ NT\$30,000,000	-	-
NT\$30,000,000~ NT\$50,000,000	-	-
NT\$50,000,000~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	5	5

Note: The remuneration paid to President and Executive Vice Presidents from non-consolidated affiliates shall be included in this column.

# Corporate Governance

## 4. The Ratio of the Remuneration Paid to Board of Directors, Supervisors, Presidents, and Executive Vice Presidents to Net Income in 2014 and 2015

### (1) Paid from the Corporation

Paid to	The ration of Remuneration to Net Income (%)		Increase (Decrease) Rate (%)
	2015	2014	
Director	1.55	1.91	(0.36)
Supervisor	0.10	0.08	0.02
President and Executive Vice President	1.47	2.07	(0.60)

### (2) Paid from the Corporation

Paid to	The ration of Remuneration to Net Income (%)		Increase (Decrease) Rate (%)
	2015	2014	
Director	1.55	1.92	(0.37)
Supervisor	0.10	0.09	0.01
President and Executive Vice President	1.59	2.52	(0.93)

### (3) Analysis

1. The ratios of remuneration paid to Directors, Supervisors, Presidents, and Executive Vice Presidents to net income are less than that in 2014 because the net income increased in 2015.
2. The connection between the remuneration's policy, standards and combinations, the process to sets up the remuneration, operation outcomes and future risks: There is Compensation Committee in the Corporation. Compensation paid to Directors, Supervisors, and General Managers are proposed by Compensation Committee and resolved by Board meetings.

# Corporate Governance

## (V) Employment Compensation Granted to Management Team

April 30, 2016  
Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Ratio of the Total to Net Income (%)	
Managers	President	Chao-Wen Chen					
	Chairperson Special Assistant (Executive Vice President)	Ching-Kuo Sung					
	Executive Vice President	Chi-Se Tso					
	Executive Vice President	Te-Jun Lo					
	Executive Vice President	Ching-Ya Chen					
	Special Assistant	Ming-Lin Chang					
	Vice President	Shih-Ho Chang					
	Vice President	Kuo-Chi Wang					
	Vice President	Chih-Hsiung Wu					
	Vice President	Hsin-Cheng Tseng					
	Vice President	Ya-Cheng Hsiao					
	Vice President	Allan Yang					
	Vice President	Te-Chao Huang					
	Vice President	Ching-Wu Chien					
	Vice President	Shing JuChen					
	Vice President	Hung-Ching Yang					
	Vice President	Chin-Yuan Hsieh					
	Vice President	Min-Chang Lee					
	General Manager of Procurement Division	Chiung-chih Tseng			963	963	0.03
	Plant GM of Hsin Chu Plant	Chun-Hung Hu					
	GM of Management Information System Division	Cheng-Chang Huang					
	GM of Service Division	Li-Wei Wang					
	GM of Electrical and Electronic Division	Tsung-Yih Tsai					
	GM of Finance & Accounting Division	Mei-Chu Tai					
	GM of Production Control Division	Ching-Chi Chen					
	GM of Production Engineering Division	Tung-Tai Hsiung					
	GM of Oversea Business Division	Kuo-Hsiung Peng					
	GM of Product Program Division	Ching-Yun Liao					
	GM of Parts Development Division	Kuo-Wei Huang					
	GM of Sales Division	Alex Chen					
	GM of Product Engineering Division	Kun-Yi Liu					
	Plant GM of Yang Mei Plant	Szu-Chung Chiu					
	GM of Quality Control Division	Yueh-Feng Wu					
GM of Corporate Planning Division	Yu-Chun Su						
GM of Audit Division	Fu-Tang Hou						
GM of General Administration Division	Tien-Fu Chang						
GM of Electric Scooter Sales Division	I-Yuan Huang						

# Corporate Governance

## III. Implementation of Corporate Governance

### (I) Board of Directors Meeting Status

There were 6 Board of Directors meetings in 2015. The directors' attendance status is as follows:

Title	Name of Corporate Shareholder	Representative	Attendance		Attendance Rate in Person (%)	Notes
			in Person	By Proxy		
Chairperson	Yulon Motor Co., Ltd.	Kenneth K.T. Yen	6	0	100	
Vice Chairman	Tai-Yuen Textile Co.	Hsin-Tai Liu	6	0	100	The Board of Directors has appointed Mr. Hsin-Tai Liu as Vice Chairman of CMC on the meeting of May 11, 2015. The effective date will start from June 1, 2015.
Director	Mitsubishi Motors Corporation	Katsuro Asaoka	6	0	100	
Director	Tai-Yuen Textile Co., Ltd.	Hsin-I Lin	6	0	100	
Director	Yulon Motor Co., Ltd.	Li-Lien Chen	6	0	100	
Director	Tai-Yuen Textile Co., Ltd.	Kuo-Rong Chen	6	0	100	
Director	Mitsubishi Corporation	Hiroshi Miyazeki	1	0	100	Mitsubishi Corporation assigned Mr. Ishikawa Zenta in replacement of Mr. Hiroshi Miyazeki as its representative from May 1, 2015 and Mr. Yoshinori Yamazaki in replacement of Mr. Ishikawa Zenta as its representative from April 1, 2016.
		Yoshinori Yamazaki	5	0		
Independent Director	-	Tsung-Jen Huang	6	0	100	
Independent Director	-	Robert Y.L., Mao	6	0	100	Mr. Mao attended BOD Meetings by video conference in 2015. Attending BOD Meetings by video conference is considered as attend in-person by law.

#### Annotation:

1. There were no event as set forth in article 14-3 of Securities Exchange Act or written or otherwise recorded resolutions on which independent directors had a dissenting opinion or qualified opinion in 2015.
2. Recusals of Directors due to conflicts of interests in 2015: The directors of the Corporation are highly disciplined and recused themselves from the voting for proposal involved with their interest. There was no proposal with interest involved and therefore it was unnecessary for them to recuse.
3. Measures taken to strengthen the functionality of the Board (e.g. establish Audit Committee, enhance information transparency): The Corporation will establish the Audit Committee in 2016.

# Corporate Governance

## (II) Attendance of Supervisors for Board Meetings

There were 6 Board of Directors meetings in 2015. The supervisors' attendance status is as follows:

Titile	Name of Corporate Shareholder	Representative	Attendance in Person	Attendance Rate in Person (%)	Notes
Supervisor	Le Wen Enterprise Co., Ltd.	Wei Kung Chi	5	83	
		Tai-Ming Chen	6	100	
<p>Annotations:</p> <p>1. The composition and responsibilities of supervisors:</p> <p>(1) Descriptions of the communication between the supervisors and the employees and shareholders: in addition to the periodical report of related employees to supervisors, supervisors may contact related employees directly if there is any question. The supervisors may communicate with employees and shareholders via the board of directors and shareholders' meetings.</p> <p>(2) Descriptions of the communication between the supervisors, internal auditors and the auditors: the supervisors may investigate the business and financial conditions of the Corporation anytime and may request board of directors or managers for report.</p> <p>2. Where there are opinions of the supervisors attending the BOD meeting, the date of BOD meeting, term, content of motion and resolutions shall be specified. The resolutions of BOD meetings and the handling of the Corporation to opinions expressed by the supervisors: None.</p>					

## (III) Audit Committee Meeting Status: None

# Corporate Governance

## (IV) Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Assessment Item	Status of Implementation			Non-compliance with the Corporate Governance BPP and reasons
	Yes	No.	Performance Summary	
1. Does the Corporation establish and disclose own corporate practice principles with reference to the “Corporate Governance BPP”?	✓		The Corporation has established the Code of Corporate Governance Practice and disclosed it on the Market Observation Post System and own corporate website.	The Corporation has established and disclosed own “Code of Corporate Governance Practice” with reference to the “Corporate Governance BPP” and has established own internal control system. Therefore, this Corporation is operated with reference to the spirit of the Corporate Governance BPP and has implemented relevant regulations.
2. Shareholding structure & shareholders’ rights:				
(1) Does the Corporation establish and implement the internal operation procedures to handle shareholders’ suggestions, concerns, disputes and litigation matters?	✓		(1) Apart from establishing the spokesperson system to handle the shareholder suggestions, concerns, disputes and litigation matters, shareholders can express their comments on the corporate website at <a href="http://www.china-motor.com.tw">http://www.china-motor.com.tw</a> . The Corporation will assign relevant departments to appropriately respond to their comments. Under the Financial Department, we have established a share registration unit to handle and respond to relevant affairs.	(1) Comply with the “Corporate Governance BPP”.
(2) Does the Corporation maintain a list of major shareholders who controlling the Corporation and their beneficial owners?	✓		(2) The Corporation maintains a list of major shareholders who controlling the Corporation and their beneficial owners and reports their shares and stock mortgage/relief status by the Rules Governing Information Filing for TWSE-Listed Companies.	(2) Comply with the “Corporate Governance BPP”.
(3) Has the Corporation established and implemented a risk management system and “firewall” between the Corporation and its affiliates?	✓		(3) The Corporation has established the “Interested Party Trading Management Regulations” as the risk management system and firewall between the Corporation and affiliates.	(3) Comply with the “Corporate Governance BPP”.
(4) Has the Corporation established internal rules prohibiting insider trading securities on undisclosed information?	✓		(4) The Corporation has established the “Insider Trading Prevention SOP” to prohibit insiders from trading securities with undisclosed information.	(4) Comply with the “Corporate Governance BPP”.
3. Formation and responsibility of the board of directors:				
(1) Does the Corporation establish and implement diversified policies with reference to board formation?	✓		(1) The Corporation has established and implemented diversified policies with reference to board formation according to the Code of Corporate Governance Practice.	(1) Comply with the “Corporate Governance BPP”.
(2) Besides establishing the Compensation Committee and Audit Committee by the law, does the Corporation voluntarily establish other functional committees?		✓	(2) The Corporation has established the Compensation Committee. In 2016, the Corporation will establish the Audit Committee.	(2) Comply with the “Corporate Governance BPP”.

(Continued)

# Corporate Governance

Assessment Item	Status of Implementation			Non-compliance with the Corporate Governance BPP and reasons
	Yes	No.	Performance Summary	
(3) Does the Corporation establish board performance evaluation regulations and methods to evaluate board performance every year?	✓		(3) The Corporation established the “Regulations Governing Evaluation of Performance of Board of Directors” in December 2015. The Corporation will conduct an internal evaluation on performance of the board of directors at least once per year. The scope of evaluation extends to the entire board of directors and individual board member. The scope of evaluation on performance of the BOD covers: ① Level of participation in the Corporation’s operation; ② Upgrading of quality of decision made by the board of directors; ③ Composition and structure of the board of directors; ④ Election and continued education of directors; ⑤ Internal control. The scope of evaluation on the board members shall at least cover the following: ① Understanding about the Corporation and knowledge about job duties; ② Level of participation in the Corporation’s operation; ③ Expertise and continued education of directors; ④ Internal control. The evaluation result 2015 showed that the entire operation of the BOD was fair, particularly with respect to the composition and structure of board of directors, election and continued education of directors, understanding about the Corporation and knowledge about job duties.	(3) Comply with the “Corporate Governance BPP”.
(4) Does the Corporation assess the independency of its CPAs?	✓		(4) The Corporation assesses the independency of CPAs on a regular basis (once a year). The assessment includes the interests between CPAs and the Corporation, dual status of CPAs, familiarity with employees of the Corporation, threat from the Corporation, and service period.	(4) Comply with the “Corporate Governance BPP”.
4. Does the Corporation establish mechanisms for communicating with stakeholders and a stakeholder site on the corporate website to appropriately respond to material CSR topics they concern about?	✓		The Corporation has established the stakeholder site provided detailed contact information on the corporate website for stakeholders (customers, the public, and suppliers) to express their comments, so that the Corporation can make appropriate response.	Comply with the “Corporate Governance BPP”.
5. Does the Corporation assign professional share registers to handle shareholder meeting affairs?		✓	The Corporation has an own share register department.	Comply with the “Corporate Governance BPP”.
6. Information disclosure				
(1) Does the Corporation establish a website to disclose own operation, financial and corporate governance information?	✓		(1) The Corporation discloses relevant operation, financial and corporate governance information over the corporate website.	(1) Comply with the “Corporate Governance BPP”.
(2) Does the Corporation disclose such information with other methods (e.g., English website, assigning staff to gather and disclose relevant information, implementing the	✓		(2) The Corporation has established an English website, assigned special staff to gather and disclose corporate information, implemented the spokesperson system, and posted conference call on the corporate website.	(2) Comply with the “Corporate Governance BPP”.

# Corporate Governance

Assessment Item	Status of Implementation			Non-compliance with the Corporate Governance BPP and reasons
	Yes	No.	Performance Summary	
spokesperson system, and posting the conference call on the corporate website)?				
7. Does the Corporation disclose other information for investors to better understand its corporate governance practices (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights and benefits, training for directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer relations policies, and Directors and Officers Liability Insurance)?	✓		See Note.	Comply with the “Corporate Governance BPP”.
8. Does the Corporation implement self-evaluation of its corporate governance practices or appoint a third party to do so and maintain a report? (If yes, please specify the board opinion, self-evaluation or third-party evaluation results, major defects or recommendations and improvement.)		✓	The Corporation does not have a self-evaluation report or third-party evaluation report of corporate governance practices.	Comply with the “Corporate Governance BPP”.

Note: Material information for better understanding of corporate governance:

- (1) Employee rights and benefits: The Corporation protects the rights and benefits of employees with reference to the Labor Standards Act and has specified employee rights and benefits in the Employee Handbook. The Corporation also publishes information regarding employee rights and benefits on the intranet and bulletin board.
- (2) Employee care: The Corporation provides employees with comprehensive care, including the employee canteen, employee dormitory, employee gymnasium, swimming pool, employee library, and infirmary. The Corporation also organizes employee fair (Family Day) and subsidizes employee tours from time to time and arranges health examinations for employees regularly.
- (3) Investor relations: The Corporation publishes on the corporate website information regarding the future development and financial condition of the Corporation and holds conference call at least 2 times a year. The Corporation also assigns special staff to answer questions of investors and explains to them the Corporation’s future development through teleconferences or presentations from time to time.
- (4) Supplier relations: The Corporation has a procurement department to handle product supply of suppliers and handle the quality improvement of suppliers from time to time. The Corporation also holds the contractor conference every year to explain to suppliers the annual plan and future development of the Corporation.
- (5) Stakeholder rights and benefits: The Corporation maintains the rights and benefits of stakeholders with reference to the law and assigns relevant units to respond to stakeholders.
- (6) Training for directors and supervisors: The Corporation regularly provides training information for directors and supervisors and encourages them to receive training. In addition, the Corporation arranges training on new laws and accounting systems for directors and supervisors. Relevant training information is disclosed over the MOPS.
- (7) Implementation of risk management policy and risk assessment standards: The Corporation has established the Audit Division to audit potential risks on a routine basis and report results to the internal business meeting at planned intervals.
- (8) Implementation of customer service policy (respect for consumer demand): The Corporation has established a helpline (toll-free 0800) and suggestion box on the corporate website for consumers to express their demand and comments. The Corporation also requests dealers to make timely response to customers.
- (9) Directors and Officers Liability Insurance: In order to strengthen corporate governance of the Corporation, the BOD Meeting passed to buy D&O Liability Insurance starts from July 1, 2015. The information is published on the MOPS.

# Corporate Governance

## (V) Composition, Responsibilities and Operations of Compensation Committee:

### 1. Information of compensation committee members

Identity (Note 1)	Criteria	Meet the following professional qualification requirements, together with at least five years work experience			Criteria (Note 2)								Number of other Taiwanese public companies concurrently serving as a compensation committee member in Taiwan	NOTE	
		An instructor or higher position in a department of commerce, law, finance, accounting or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance or accounting or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8			
Independent Director	Tsung-Jen Huang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Robert Y.L., Mao	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Other	Yun-Hua Yang	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	

Note 1: Serve as a director, independent director or otherwise

Note 2: Status of independence compliance

- (1) Not an employee of the company or its affiliates
- (2) Note a director, supervisor of the company or its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of voting shares.
- (3) Not a natural-person shareholder who holds the share, altogether with those shares held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or rank as one of its top 10 shareholders.
- (4) Not a spouse, relative with in second degree of kinship or lineal relative within the third degree of kinship, or any of the above person in the preceding three subparagraphs
- (5) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the company or rank as one of its top 5 shareholders
- (6) Not a director, supervisor, officer or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, officer of a sole proprietorship, company or institution that, provides commercial, legal, accounting services or consultation to the company or any affiliate of the company, or a spouse thereof.
- (8) Not been a person of any conditions defined in article 30 of the Company Law

### 2. Compensation committee meeting status

- (1) The Corporation's compensation committee consists of 3 members.
- (2) Tenure of office: the tenure of second session of committee is from July 1, 2013 to June 30, 2016. The qualification and attendance of the committee members are as follows:

Title	Name	Meeting Times in 2015 (A)	Attendance		Attendance rate in person (%) (B/A)	Notes
			in person (B)	By proxy		
Convener	Tsung-Jen Huang	3	2	1	67%	
Member	Robert Y.L., Mao		3	0	100%	
Member	Yun-Hua Yang		3	0	100%	

Annotations:

1. There was no recommendation of the compensation committee which was not adopted or was modified by the Board.
2. There were no written or otherwise recorded resolutions on which a member of the compensation committee had a dissenting opinion or qualified opinion.

# Corporate Governance

## (VI) Social Responsibility:

Assessment Item	Implementation		Non-compliance with the Corporate Social Responsibility BPP for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
<p>1. Corporate governance promotion</p> <p>(1) Does the Corporation establish a CSR policy or system and review the effectiveness of implementation?</p> <p>(2) Does the Corporation arrange CSR training on a regular basis?</p> <p>(3) Does the Corporation establish a dedicated (concurrent) unit to promote CSR with authorization from top management and to report the effectiveness of implementation to the board?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Corporation has established a Code of CSR Practice and implemented the Code by exercising corporate governance, fostering a sustainable environment, preserving philanthropy, and reinforcing disclosure of CSR information. The Corporation has also established the CSR Management Committee to promote CSR, which includes CSR training, introducing and upgrading ISO related certifications, CSR promotion of dealers and suppliers, energy-saving promotion, and appealing procedure for stakeholders. The CSR Management Committee reports the effectiveness of implementation to the board regularly.</p> <p>(2) The Administration Department arranges corporate ethics-related training regularly, including pre-service training for new employees.</p> <p>(3) In 2014, the Corporation established the CSR Management Committee chaired by the VP of Planning and Administration. Under the committee, there are the “corporate governance”, “employee care”, “sustainable environment”, “customer and partner relations”, and “philanthropy” teams. The Corporate Planning Division, General Administration Division, Health &amp; Safety Office, and Service Division lead respective teams. Other members of these teams include the Finance and Accounting Division, Audit Division, Sales Division, Parts Development Division, Electrical &amp; Electronic Engineering Division, Product Engineering Division, Yangmei Plant, Hsinchu Plant, and Procurement Division. The CSR Management Committee is responsible for promoting CSR, preparing the CSR report, and reporting the effectiveness of implementation to the board at planned intervals regularly. The outcomes of 2015 includes CSR training courses (includes ISO14001, e-training of Personal Information Protection, and Health &amp; Safety), energy-saving cost reduction up to 10 million, counselling energy-saving project to supplier, 2015 CSR report compilation and announcement, etc.</p>	<p>(1) Comply with the CSR BPP.</p> <p>(2) Comply with the CSR BPP.</p> <p>(3) Comply with the CSR BPP.</p>

(Continued)

# Corporate Governance

Assessment Item	Implementation		Non-compliance with the Corporate Social Responsibility BPP for TWSE/GTSM Listed Companies and Reasons	
	Yes	No		Performance Summary
(4) Does the Corporation establish a fair compensation policy combining with the employee performance evaluation system and CSR policy and an effective and well-defined reward and punishment system?	✓		(4) The Corporation has strictly followed the labor-and-human-rights regulations established by the government, and has established an appropriate compensation system and relevant disciplinary items to reward or punish employees with reference to their performance and conduct.	(4) Comply with the CSR BPP.
2. Development of a sustainable environment:				
(1) Does the Corporation make efforts to enhance resource efficiency and use recycled materials with lower environmental impact?	✓		(1) The Corporation holds committee meetings to review resource recycling and energy conservation topics and rewards units making special proposals for related activities: recycling of production water at the Yangmei Plant, clutter reuse at the Hsinchu Plant, and the use of independent switches for lights on each floor for employees to switch lights off after leaving the office.	(1) Comply with the CSR BPP.
(2) Does the Corporation establish an appropriate environmental management system (EMS) according to the characteristics of its industry?	✓		(2) The Corporation has established an EMS with reference to relevant environmental regulations and other requirements, effective resource utilization, pollution prevention and continual improvement, and organizational operation. The Corporation has also passed ISO14001 EMS certification.	(2) Comply with the CSR BPP.
(3) Has the Corporation noticed the effect of climate change on its business activities and does it implement GHG inventory and establish an energy conservation and GHG reduction strategy?	✓		(3) In 2009 the Corporation began voluntary GHG disclosure at the Taiwan National Greenhouse Gas (GHG) Registry every year. The Corporation establishes the Energy Conservation Team with members from each department to promote energy audit, establishes and implements energy conservation targets and programs, analyzes energy consumption and efficiency, holds review meetings at planned intervals, and proposes improvement plans, so as to reduce GHG emissions.  In addition, by implementing the ISO14001 EMS, the Corporation includes energy conservation measures in the annual improvement program for each plant to implement. At the monthly energy conservation review meeting, each unit proposes energy conservation measures and practices.	(3) Comply with the CSR BPP.
3. Implementation of philanthropy				
(1) Does the Corporation establish relevant management policies and procedures with reference to relevant international regulations and international human rights treaties?	✓		(1) The Corporation observes relevant labor laws and regulations, and respects internationally recognized basic labor and human rights. After regularly gathering reviews labor laws and regulations, the General Administration Division reviews relevant the compliance of relevant SOPs and regulations and amend them where necessary. The Corporation also ensures no discrimination in employment policies.	(1) Comply with the CSR BPP.

(Continued)

# Corporate Governance

Assessment Item	Implementation		Non-compliance with the Corporate Social Responsibility BPP for TWSE/GTSM Listed Companies and Reasons	
	Yes	No		Performance Summary
(2) Does the Corporation establish mechanisms and channels for and properly handle employee grievances?	✓		(2) The Corporation sets up a suggestion box to gather opinion and comments from employees and ensure unhindered communication with employees. The Corporation also sets up a hotline, fax line, and e-mail for sexual harassment reporting.	(2) Comply with the CSR BPP.
(3) Does the Corporation provide employees with a safe and healthy work environment and regularly arrange safety and health training/education for employees?	✓		(3) The Corporation has established the Safety and Health Office and a Health Center (infirmary) to audit occupational safety in the work environment and arrange periodic health examination. The Corporation also hires resident physicians to ensure employee health.	(3) Comply with the CSR BPP.
(4) Does the Corporation establish mechanisms for periodic employee communication and reasonably notice employees of significant operational changes that could substantially affect them?	✓		(4) The Corporation holds Company business meetings to explain to employees the significant change affecting future corporate development in the future and related operational changes.	(4) Comply with the CSR BPP.
(5) Does the Corporation establish effective training plans for employees to develop employability?	✓		(5) The Corporation implements training/ education programs regularly, including pre-service training and in-service training. The Corporation also assigns suitable employees to attend knowledge and skill training courses to develop competencies required by work.	(5) Comply with the CSR BPP.
(6) Does the Corporation establish policies and procedures to protect consumer rights and benefits in R&D, procurement, production, operation, and service processes?	✓		(6) The Corporation prioritizes maintenance of consumer rights and benefits and establishes the following standards to handle product liability and accidents: “Toll-free Helpline Answering Service Quality Management SOP”, “Toll-free Helpline and Consumer Complaint Handling SOP”, and “Toll-free Helpline Complaint Closure Aftercare SOP”. In addition, all product assurance standards and SOPs are reviewed and revised periodically to ensure a flawless product assurance system.	(6) Comply with the CSR BPP.
(7) Does the Corporation follow relevant regulations and international standards to market and label products and services?	✓		(7) In advertising products, apart from complying with the verity and good faith principle of automobiles, all appeals and methods comply with relevant legal requirements. In legal compliance, product related data is indicated in respective locations to clearly inform consumers. Details are also given in the owner’s manual to ensure consumers fully and easily understand the specifications, performance, operation, and precautions of product.	(7) Comply with the CSR BPP.
(8) Does the Corporation assess if suppliers have records regarding causing impacts on the environment and society?	✓		(8) Apart from setting green procurement as an important corporate policy, the Corporation has aggressively encouraged suppliers to pass ISO14001 certification and assesses suppliers prior to any transactions.	(8) Comply with the CSR BPP.

(Continued)

# Corporate Governance

Assessment Item	Implementation		Performance Summary	Non-compliance with the Corporate Social Responsibility BPP for TWSE/GTSM Listed Companies and Reasons
	Yes	No		
(9) When signing contracts with major suppliers, does the Corporation include the following terms in the contract: when suppliers violate the Corporation's CSR policy and have significant impact on the environment and society, the Corporation may terminate or rescind the contract at any time?	✓		(9) To optimize supplier management, the Corporation signs the "Basic Contract" with suppliers to specify the rights and obligations of both parties. The "Basic Contract" specifies that the supplier should comply with the Corporation's environmental policy, laws and regulations. The Corporation can terminate the contract and ask for compensation when the supplier violates the "Basic Contract". In addition, the Corporation has established and implemented the Supplier Management Regulations to request and supervise suppliers to continually raise quality, delivery time, cost, R&D, and safety standards. Through routine managements, guidance, and reward, we push suppliers to make continual improvement, so as to pursue sustainable operation.	(9) Comply with the CSR BPP.
4. Reinforcement of disclosure of CSR information. (1) Does the Corporation disclose relevant and reliable CSR information on the corporate website and MOPS?	✓		(1) The Corporation has set up a corporate website and discloses regularly information related to consumers and investors on the corporate website and the MOPS. In addition, the Corporation publishes CSR-related information in the annual report.	(1) Comply with the CSR BPP.
5. If the Corporation has established own code of CSR practice with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," specify its operation and non-compliance with the best practice principles. In 2014 the Corporation established own Code of CSR Practice with reference to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies." At present, the Corporation has completed our own internal control system. Therefore, the Corporation has operated and implemented relevant regulations with reference to the spirit of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."				
6. Other material information enabling a better understanding of CSR implementation: At the end of 2014, the Corporation published and disclosed the CSR Report 2013 on the corporate website and the MOPS.				
7. If the organizational CSR report has passed the verification standards of relevant certification authorities, please specify: None.				

# Corporate Governance

## (VII) Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission:

Assessment Item	Implementation			Non-compliance with Ethical Corporate Management BPP for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Performance Summary	
<p>1. Policies and plans for fair and ethical business operations</p> <p>(1) Does the Corporation specify its policies and practices to maintain fair and ethical business operations in relevant regulations and external documents? Do the board and managers actively implement the commitments made in relevant policies?</p> <p>(2) Does the Corporation draw up and practice programs to prevent unethical conduct and set out in each program and implement SOPs, conduct guidelines, penalties for violation, and a grievance system?</p> <p>(3) Does the Corporation take precautionary action to prevent business activities specified in paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and other business activities within its scope of business with higher behavioral risk?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Corporation sets “harmony, innovation, excellence” as management philosophy and “integrity, care, and responsibility” as the employee’s code of conduct, apart from ensuring “philosophy” is implemented in management, it is specified in the employee handbook The Corporation established “Code of Business Ethics” to enhance fair and ethical business.</p> <p>(2) “Code of Business Ethics” stipulates the improper ethical behavior and rules to prevent improper behavior. In the organizational “Work Rules”, the Corporation specifies that no employee shall accept bribes or other improper benefits for an official act and punishes employees based on the severity of indecent act.</p> <p>(3) “Code of Business Ethics” sets up rules and prevention about risky business operation like improper profit, political donation In the “Service Ethics” and “Punishment, Reward, Promotion, Transfer, and Performance Evaluation” sections of the “Work Rules”, the Corporation specifies what employee behaviors are acceptable and how to respond to the indecent act of others. The “Work Rules” are explained to employees upon hiring.</p>	<p>(1) Comply with the Ethical Corporate Management BPP.</p> <p>(2) Comply with the Ethical Corporate Management BPP.</p> <p>(3) Comply with the Ethical Corporate Management BPP.</p>
<p>2. Implementation of fair and ethical business operations</p> <p>(1) Does the Corporation assess if trading counterparts involved in any unfair and unethical business operations and include the fair and ethical business operations clause in the transaction agreement signed with them?</p> <p>(2) Has the Corporation established a dedicated (concurrent) unit directly under the board to promote fair and ethical business operations and report the effectiveness of implementation directly to the board?</p>	<p>✓</p> <p>✓</p>		<p>(1) Aside from setting “integrity, care, and responsibility” as the employee’s code of conduct and specifying relevant service ethics in the “Work Rules”, the Corporation values the integrity of trading counterparties and thus specifies ethical clauses in standard contract with vendor.</p> <p>(2) The Corporation has established the AuditDivision to regularly audit if each internal cycle violates fair and ethical business operations and participate in board meetings. The Corporation established “Corporate Ethical Management and Compliance Committee” in 2015, and responsible for the ethical manners and report to BOD. The implement of 2015 has been reported to BOD on December 21, 2015.</p>	<p>(1) Comply with the Ethical Corporate Management BPP.</p> <p>(2) Comply with the Ethical Corporate Management BPP.</p>

(Continued)

# Corporate Governance

Assessment Item	Implementation			Non-compliance with Ethical Corporate Management BPP for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Performance Summary	
(3) Does the Corporation establish and implement policies to prevent conflicts of interest and provide appropriate channels for reporting such conflicts?	✓		(3) In the “Work Rules” the Corporation specifies that employees may be dismissed and face relevant legal action if they engage in work of a similar nature externally with conflicts of interest with the Corporation that causes serious damage to the Corporation without prior permission from the Corporation. Also, the annual work target of employees is set with reference to the organizational or departmental annual work policies, and the goal of employees and the organization should be consistent and conflicts of interest should be prevented through thorough communication. The Corporation has established “Code of Business Ethics” stipulates the improper ethical behavior and rules to prevent improper behavior and “Corporate Ethical Management and Compliance Committee” to process and communicate relative manners.	(3) Comply with the Ethical Corporate Management BPP.
(4) Has the Corporation established effective accounting and internal control systems to implement fair and ethical business operations? Does the Corporation have these system audited regularly by the internal audit unit or a CPA?	✓		(4) The Audit Division audits internal systems and external activities regularly and report the results to the board.	(4) Comply with the Ethical Corporate Management BPP.
(5) Does the Corporation arrange regular internal/external training/ education for fair and ethical business operations?	✓		(5) Apart from arranging training on fair and ethical operations for new employees, the Corporation has established the “Work Rules” and “NC-0403 Reward and Punishment Regulations” and posted them on the intranet for the reference of all employees to ensure employees understand the importance of fair and ethical operations and relevant reward and punishment regulations. In addition, the Corporation reviews relevant regulations at planned intervals and publishes them after each time of revision for employees to understand. In 2015, the Corporation filmed a short vedio to promote ethical corporate management.	(5) Comply with the Ethical Corporate Management BPP.
3. Operation of the whistleblower system				
(1) Does the Corporation establish a practical whistleblower and reward system and channels to facilitate reporting of unfair and unethical business operations and assign appropriate personnel to handle a reported case?	✓		(1) ~ (3) Employees can directly report to the General Administration Division or to the supervisors through the “Employee Grievance Box” any violation of fair and ethnical operations and no part of investigations will be disclosed. In addition, employees can make anonymous reports and the case responsible unit will not disclose any information of informers (whistleblowers) to ensure absolute protection.	(1) ~ (3) Comply with the Ethical Corporate Management BPP.
(2) Does the Corporation establish a SOP and a non-disclosure mechanism of relevant investigations?	✓		The report hotline and SOP are published on the Corporation website and reports will be handling by stakeholder identity under SOP.	
(3) Does the Corporation establish and implement an informer protection policy	✓			

# Corporate Governance

Assessment Item	Implementation			Non-compliance with Ethical Corporate Management BPP for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Performance Summary	
to ensure no informer will receive indecent treatment?				
4. Reinforcement of information disclosure (1) Does the Corporation disclose the content and effectiveness of implementation of the Code of Business Ethics on the corporate website and MOPS?	✓		(1) The Corporation discloses the content of own Code of Business Ethics on the corporate website and MOPS and the status of operation on the corporate website at planned intervals, including the status of fair and ethical operations where necessary.	(1) Comply with the Ethical Corporate Management BPP.
5. If The Corporation has established own code of business ethics with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” specify its operation and non-compliance with the best practice principles. In 2014, the Corporation established own Code of Business Ethics with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.” At present, the Corporation also has a completely internal control system. Therefore, the Corporation has operated and implemented relevant regulations with reference to the spirit of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”				
6. Other material information enabling a better understanding of fair and ethical business operations (such as review and revise the code of business ethics): None.				

## (VIII) Corporate Governance Guidelines and Regulations:

Please refer the “Corporate Governance” of Market Observation Post System and the corporate website (<http://www.china-motor.com.tw>).

## (IX) Other Important Information Regarding Corporate Governance:

Please refer the “Corporate Governance” of Market Observation Post System and the corporate website (<http://www.china-motor.com.tw>).

# Corporate Governance

## (X) Internal Control System Execution Status

### 1. Statement of Internal Control System

China Motor Corporation  
Statement of Internal Control System

Date: March 28, 2016

Based on the findings of a self-assessment, the Corporation states the following with regard to its internal control system during the year of 2015:

1. The Corporation's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operation (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanism, and the Corporation takes immediate actions in response to any identified deficiencies.
3. The Corporation evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further covers certain items. Please refer to "Regulations" for preceding items.
4. The Corporation has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Corporation believes that, on December 31, 2015, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This statement will be an integral part of the Corporation's Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors in their meeting held on March 28, 2016, with none of 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

China Motor Corporation

Chairperson: Kenneth K.T. YEN

President : Chao-Wen Chen



# Corporate Governance

2. The independent auditor's report shall be disclosed if the the auditor is designated to review internal control system: None

(XI) Punishment and Improvement Status of Violation Internal Control System during the 2015 Calendar Year and up to April 30, 2016: None

(XII) Major Resolutions at Shareholders Meetings and Board of Directors Meetings during the 2015 Calendar Year and up to April 30, 2016

## 1. Major Resolutions at Board of Directors Meetings

Date of meeting	Important resolution	Implementation
03.23.2015	<ol style="list-style-type: none"> <li>1. Passed the Corporation's 2014 Annual Report.</li> <li>2. Passed the Corporation's 2014 Earning Distribution..</li> <li>3. Passed the partial revisions to "Article of Incorporation" and "Regulations Governing Election of Directors and Supervisors".</li> <li>4. Passed the date and location of the Corporation's general shareholders' meeting 2015.</li> <li>5. Passed the Corporation's rearrangement of general managers and higher-level officers.</li> <li>6. Passed the issue of the Corporation's "Statement of Internal Control System" for 2014.</li> <li>7. Passed the partial revision to the Corporation's "Code of Corporate Governance Practice".</li> <li>8. Passed the partial revision to the Corporation's "Code of CSR Practice".</li> <li>9. Passed the partial revision to the Corporation's "Code of Business Ethics".</li> </ol>	Already published on the MOPS and implemented with reference to relevant regulations. Motions 1, 2 and 3 were submitted to the general shareholders' meeting 2015 for recognition and resolution.
05.11.2015	<ol style="list-style-type: none"> <li>1. Passed the record date for allocation of cash dividends 2015.</li> <li>2. Passed the liability insurance maintained for the Corporation's Directors and Officers s.</li> <li>3. Passed the rearrangement of the Corporation's president.</li> <li>4. Passed the election of Vice Chairman.</li> </ol>	Already published on the MOPS and implemented with reference to relevant regulations.
07.13.2015	<ol style="list-style-type: none"> <li>1. Passed the evaluation on CPA's independence and competency 2015.</li> <li>2. Passed the change of the registered address of the Corporation's training center branch company.</li> <li>3. Passed the Corporation's rearrangement of general managers and higher-level officers.</li> </ol>	The change identified in Motion 2 was approved by Ministry of Economic Affairs on July 29, 2015
08.03.2015	Reported the consolidated financial statement of Q2 2015.	Already published on the MOPS
11.09.2015	<ol style="list-style-type: none"> <li>1. Passed the raise of managers 2015.</li> <li>2. Passed the revision to the Corporation's "Share Registration Unit Internal Control System" and "Internal Audit Implementation Rules for Share Registration Unit Internal Audit System".</li> <li>3. Passed the Corporation's "Operating Procedure for Application for Suspension and Resumption of Transactions".</li> <li>4. Establishment of the Corporation's "Corporate Ethical Management and Compliance Committee".</li> </ol>	Already implemented per the resolution.

# Corporate Governance

Date of meeting	Important resolution	Implementation
12.21.2015	<ol style="list-style-type: none"> <li>1. Passed the Corporation's annual objectives 2016.</li> <li>2. Passed the Corporation's "Regulations Governing Evaluation on Performance of Board of Directors".</li> <li>3. Passed the revision to allocation of remuneration and compensation to directors/supervisors and employees.</li> <li>4. Passed the partial revision to the Corporation's "Articles of Incorporation".</li> <li>5. Passed the Corporation's "Articles of Association for Audit Committee".</li> <li>6. Passed revision to the Corporation's related operating procedures affected by the replacement of supervisors by Audit Committee in 2016.</li> <li>7. Passed the revision to the Corporation's "Internal Control System".</li> <li>8. Passed the Corporation's annual audit plan 2016.</li> <li>9. Passed the motion for reorganization of the Corporation's departments.</li> <li>10. Passed the Corporation's rearrangement of general managers and higher-level officers.</li> <li>11. Passed lifting of the non-competition restriction on the Corporation's administrators.</li> </ol>	<p>Already published on the MOPS and implemented with reference to relevant regulations.</p>
03.28.2016	<ol style="list-style-type: none"> <li>1. Passed the Corporation's 2015 Annual Report.</li> <li>2. Passed the Corporation's 2015 Earning Distribution..</li> <li>3. Passed the date and location of the Corporation's general shareholders' meeting 2016.</li> <li>4. Passed the election of the Corporation's directors and independent directors at the general shareholders' meeting 2016.</li> <li>5. Passed the lifting of non-competition restrictions on the Corporation's directors of 19th term resolved at the general shareholders' meeting 2016.</li> <li>6. Passed the consolidation of the Corporation and CMC Investment Co., Ltd..</li> <li>7. Passed the partial revisions to the Corporation's Articles of Incorporation.</li> <li>8. Passed the allocation of remuneration and compensation to directors/supervisors and employees 2015.</li> <li>9. Passed the issue of the Corporation's "Statement of Internal Control System" for 2015.</li> <li>10. Passed the revision to the Corporation's "Enforcement Rules of Internal Audit".</li> <li>11. Passed the amendment of the Corporation's internal control requirements to be in line with the replacement of supervisors by Audit Committee 2016.</li> <li>12. Passed the Corporation's rearrangement of general managers and higher-level officers.</li> <li>13. Passed lifting of the non-competition restriction on the Corporation's administrators.</li> </ol>	<p>Already published on the MOPS and implemented with reference to relevant regulations. Motions 1, 2, 5 and 7 were submitted to the general shareholders' meeting 2016 for recognition and resolution, and election of directors and independent directors will be carried out per Motion 4.</p>

# Corporate Governance

## 2. Major Resolutions at Shareholders Meetings

Date of Meeting	Important resolution	Implementation
06.24.2015	1. Recognition of the final account book 2014.	Already published on the MOPS.
	2. Recognition of allocation of earnings 2014.	The cash dividend allocated at NT\$1.15 per share. The record date was set on July 28, 2015, and the dividend was granted on August 26, 2015.
	3. Passed the partial revision to the Corporation's "Articles of Incorporation".	Approved by and registered with Ministry of Economic Affairs on July 20, 2015 and posted on the Corporation's website.
	4. Passed the partial revisions to the Corporation's "Regulations Governing Election of Directors and Supervisors".	Followed the amended procedure.

(XIII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors during the 2015 Calendar Year and up to April 30, 2016: None

(XIV) Resignation or Dismissal of Chairperson, President, and General Manager of Accounting, Finance, Internal Audit and R&D during the 2015 Calendar Year and up to April 30, 2016:

Title	Name	Inaugural Date	Conge Date	Reason for Change
President	Hsin-Tai Liu	Jan 1, 2012	Jun 1, 2015	In order to establish the tradition and management system of the Corporation.

# Corporate Governance

## IV. Information Regarding Audit Fees

### Audit Fees

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Eddie Shao, Lilac Shue	2015.1.1~2015.12.31	-

Item		Audit Fee	Non-Audit Fee	Total
Range of the Amount				
1	Below 2,000 thousands		✓	
2	2,000 thousands (included) ~ 4,000 thousands			
3	4,000 thousands (included) ~ 6,000 thousands			
4	6,000 thousands (included) ~ 8,000 thousands			
5	8,000 thousands (included) ~ 10,000 thousands	✓		✓
6	10,000 thousands (included) and above			

1. When the non-audit fees paid to CPA, the firm of CPA and its affiliates are more than one fourth of the audit fee, disclose the amounts of audit and non-audit fee and the content of non-audit services:

Unit : Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Other (note)	Subtotal		
Deloitte & Touche	Eddie Shao Lilac Shue	8,200	-	79	-	250	329	2015.2.1~ 2015.12.31	TP Audit Fee

Note: If the "other" of non-audit fee reaches 25% of non-audit fee, specify its service content in the note.

2. Replace the accounting firm and the audit fee paid in the year of replacement is less than the audit fee in previous year, disclose the amount of audit fee before and after the replacement and its reasons: N.A.
3. For the audit fee is reduced more than 15 percent as comparing to previous year, disclose the amount reduced, percentage and reason: N.A.

## V. Information Regarding Replacement or Rotation of Accountants

### (I) Regarding the former CPA

Date of Replacement	July 2014		
Reason and Description of Replacment	Due to relevant regulatory requirements on rotation, Deloitte & Touche has rotated audit partners in 2014, the CPA Eddie Shao succeeded the duty of original CPA Denny Kuo in July 2014.		
Reason for termination or rejection of appointment	Related Party	CPA	Appointer
	Status		
	Voluntary termination of appointment	(NA)	(NA)
	Reject the (continued) appointment	(NA)	(NA)
Opinion and reason for any report otherthan unqualified opinion in last two years	Partial long-term investment under equity method is recognized based on the audit report of other CPA and therefore the modified unqualified opinions are issued.		
Any disagreement with the issuer	Yes	-	Accounting principle or practice
		-	Disclosure of financial statement
		-	Scope or steps of audit
		-	Other
	No	✓	
Note	-		
Other disclosure (items to be disclosed in accordance with article 10.5.(1)(iv) of Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

### (II) Regarding the successive CPA

Account Firm	Deloitte & Touche
Name of CPA	CPA Eddie Shao
Date of Appointment	July 2014
The items and results of possible opinion on the financial report aiming at accounting methods or accounting principles applied to specific transactions as enquired before the appointment	NA
The written opinions of successive CPA which are different from the former CPA	None

(III) The former CPA written response to the matters referred to in article 10.5.(1) and article 10.5.(2) (ii) of Regulations Governing Information to be Published in Annual Reports of Public Companies: N.A.

## VI. Chairperson, Prsident and General Manager of Financial Affairs or Accounting Working in CMC's Independent Audit Firm or its affiliates during 2015: None

# Corporate Governance

## VII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(I) Share transfer and change in pledged shares of directors, supervisors, managers and shareholders holding more than 10% of shares

Unit: share

Title	Name	2015		As of April 30, 2016	
		Change in Shareholding	Increase (decrease) on pledged shares	Change in Shareholding	Increase (decrease) on pledged shares
Director (Note1)	Tai-Yuen Textile Co., Ltd.	-	-	-	-
Director	Yulon Motor Co., Ltd.	-	-	-	-
Director (Note1)	Mitsubishi Motors Corporation	-	-	-	-
Director	Mitsubishi Corporation	-	-	-	-
Supervisor	Le Wen Enterprise Co., Ltd.	-	-	-	-
Chairperson	Kenneth K. T. Yen	-	-	-	-
Vice Chairman	Hsin-Tai Liu	-	-	-	-
Director	Katsuro Asaoka	-	-	-	-
Director	Hsin-I Lini	-	-	-	-
Director	Li-Lien Chen	-	-	-	-
Director	Kuo-Rong Chen	-	-	-	-
Director(Note2)	Yoshinori Yamazaki	-	-	-	-
Independent Director	Tsung-Jen Huang	-	-	-	-
Independent Director	Robert Y.L., Mao	-	-	-	-
Supervisor	Wei-Kung Chi	-	-	-	-
Supervisor	Tai-Ming Chen	-	-	-	-
President	Chao-Wen Chen	-	-	-	-
Special Assistant of Chairperson (Executive Vice President)	Ching-Kuo Sung	-	-	-	-
Executive Vice President	Chung-Chou Huang	-	-	-	-
Executive Vice President	Chi-Se Tso	-	-	-	-
Executive Vice President	Te-Jun Lo	-	-	-	-
Executive Vice President	Ching-Ya Chen	-	-	-	-
Special Assistant	Ming-Lin Chang	-	-	-	-
Vice President	Shih-Ho Chang	-	-	-	-
Vice President	Kuo-Chi Wang	-	-	-	-
Vice President	Chih-Hsiung Wu	-	-	-	-
Vice President	Hsin-Cheng Tseng	-	-	-	-
Vice President	Ya-Cheng Hsiao	-	-	-	-

Note1: Shareholders holding over 10% of issued shares.

Note2: Mitsubishi Corporation assigns Mr. Yoshinori Yamazaki in replacement of Mr. Ishikawa Zenta as its representative from from April 1, 2016.

(Continued on the next page)

# Corporate Governance

(Continued from the previous page)

Title	Name	2015		As of April 30, 2016	
		Change in Shareholding	Increase (decrease) on pledged shares	Change in Shareholding	Increase (decrease) on pledged shares
Vice President	Allan Yang	-	-	-	-
Vice President	Te-Chao Huang	-	-	-	-
Vice President	Ching-Wu Chien	-	-	-	-
Vice President	Shing JuChen	-	-	-	-
Vice President	Hung-Ching Yang	-	-	-	-
Vice President	Chin-Yuan Hsieh	-	-	-	-
Vice President	Min-Chang Lee	-	-	-	-
GM of Procurement Division	Chiung-chih Tseng	-	-	-	-
Plant GM of Hsin Chu Plant	Chun-Hung Hu	-	-	-	-
GM of Management Information System Division	Cheng-Chang Huang	-	-	-	-
GM of Service Division	Li-Wei Wang	-	-	-	-
GM of Electrical and Electronic Division	Tsung-Yih Tsai	-	-	-	-
GM of Finance & Accounting Division	Mei-Chu Tai	-	-	-	-
GM of Production Control Division	Ching-Chi Chen	-	-	-	-
GM of Production Engineering Division	Tung-Tai Hsiung	-	-	-	-
GM of Oversea Business Division	Kuo-Hsiung Peng	-	-	-	-
GM of Product Program Division	Ching-Yun Liao	-	-	-	-
GM of Parts Development Division	Kuo-Wei Huang	-	-	-	-
GM of Sales Division	Alex Chen	-	-	-	-
GM of Product Engineering Division	Kun-Yi Liu	-	-	-	-
Plant GM of Yang Mei Plant	Szu-Chung Chiu	-	-	-	-
GM of Quality Control Division	Yueh-Feng Wu	-	-	-	-
GM of Corporate Planning Division	Yu-Chun Su	-	-	-	-
GM of Audit Division	Fu-Tang Hou	-	-	-	-
GM of General Administration Division	Tien-Fu Chang				
GM of Electric Scooter Sales Division	I-Yuan Huang				

- (2) When the opponent party of shares transfer or pledge is a related party, disclose the name of the opponent party, the relation with the Corporation, directors, supervisors and shareholders holding over 10% of shares and the shares acquired or pledged: None.

# Corporate Governance

## VIII. Information Disclosing the Relationship between any of the Top Ten Shareholders

Name	Shareholding		Spouse & Minor Children Shareholding		Shares Held Through Other Parties		Names and Relationship of Any of the Top Ten Shareholders being A Related Party or spouse or relatives within 2nd degree kinship		Note
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Titel (or Name)	Relation	
Tai-Yuen Textile Co., Ltd.	348,589,538	25.19	-	-	-	-	Yulon Motor Co., Ltd.	Same chairperson	-
							Diamond Hosiery & Thread Co., Ltd.	Same chairperson	-
							Kenneth K. T. Yen	Chairperson	-
Representative : Hsin-I Lin	-	-	-	-	-	-	-	-	-
Representative : Kuo-Rong Chen	-	-	-	-	-	-	-	-	-
Representative : Hsin-Tai Liu	14,560	-	-	-	-	-	-	-	-
Mitsubishi Motors Corporation	193,768,273	14.00	-	-	-	-	Mitsubishi Corporation	Investee under equity method	-
Representative : Katsuro Asaoka	-	-	-	-	-	-	-	-	-
Yulon Motor Co., Ltd.	111,480,444	8.05	-	-	-	-	Tai-Yuen Textile Co., Ltd	Same chairperson	-
							Diamond Hosiery & Thread Co., Ltd.	Same chairperson	-
							Kenneth K. T. Yen	Chairperson	-
Representative : Kenneth K. T. Yen	16,621,212	1.20	-	-	-	-	Li-Lien Chen	Spouse	-
Representative : Li-Lien Chen	-	-	16,621,212	1.20	-	-	Kenneth K. T. Yen	Spouse	-
Diamond Hosiery & Thread Co., Ltd.	93,596,630	6.76	-	-	-	-	Tai-Yuen Textile Co., Ltd.	Same chairperson	-
							Yulon Motor Co., Ltd.	Same chairperson	-
							Kenneth K. T. Yen	Chairperson	-
Mitsubishi Corporation	66,404,796	4.80	-	-	-	-	Mitsubishi Motors Corporation	Invester under equity method	-
Representative : Yoshinori Yamazaki	-	-	-	-	-	-	-	-	-
Cathay Life Insurance Co., Ltd.	41,093,000	2.97	-	-	-	-	-	-	-
Nan Shan Life Insurance Company, Ltd.	23,701,000	1.71	-	-	-	-	-	-	-
Kenneth K. T. Yen	16,621,212	1.20	-	-	-	-	Tai-Yuen Textile Co., Ltd.	Chairperson of said company	-
							Yulon Motor Co., Ltd.	Chairperson of said company	-
							Diamond Hosiery & Thread Co., Ltd.	Chairperson of said company	-
New Labor Pension Fund	13,821,000	0.99	-	-	-	-	-	-	-
Deutsche Bank	12,745,553	0.92	-	-	-	-	-	-	-

## IX. Long-Term Investment Ownership

April 30, 2016

Investee	Investment of the Corporation		Investments of Directors, Supervisors, Managers and Businesses with Shares Directly or Indirectly Held by the Corporation		Syndicated Investments	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
Yulon Motor Co., Ltd.	262,228,166	16.67	453,468,738	28.83	715,696,904	45.50
Kian Shen Corporation	30,378,649	43.87	48,977	0.07	30,427,626	43.94
Hwa Wei Holdings Co., Ltd.	40,000	40.00	60,000	60.00	100,000	100.00
China Motor Investment Co., Ltd.	40,000	100.00	-	-	40,000	100.00
Fortune Motors Co., Ltd	132,095,729	41.92	31,053,158	9.85	163,148,887	51.77
Sino Diamond Motor Corporation	325,786,161	100.00	-	-	325,786,161	100.00
Alliance Investment & Management Co., Ltd.	183,000,000	100.00	-	-	183,000,000	100.00
ROC Spicer Ltd.	1,422,360	29.00	1,003,584	20.46	2,425,944	49.46
Tokio Marine Nawa Insurance Co., Ltd.	61,510,524	20.57	52,009,524	17.39	113,520,048	37.96
Daimler Vans Hong Kong Ltd.	46,565,750	32.45	-	-	46,565,750	32.45
Shung Ye Motor Enterprise	25,829,233	39.98	10,767	0.02	25,840,000	40.00
Gatetech Technology Inc.	24,725,155	56.53	7,151,539	16.35	31,876,694	72.88
COC Tooling & Stamping Co., Ltd.	30,821,560	49.76	31,123,005	50.23	61,944,565	99.99
Tai Yuen Venture Capital Investment Corp.	26,759,700	49.50	27,278,676	50.46	54,038,376	99.96
China Engine Corporation	32,000,000	18.95	88,000,000	52.10	120,000,000	71.05
Hua-Chuang Automobile Information Technical Center Co., Ltd.	94,400,000	18.88	294,400,000	58.88	388,800,000	77.76
Uni Auto Parts Manufacture Co., Ltd.	13,032,137	15.00	21,728,516	25.00	34,760,653	40.00
Sinjang Co., Ltd	8,567,750	20.01	8,567,950	20.01	17,135,700	40.02
Huang Chung Motor Co., Ltd.	8,790,000	100.00	-	-	8,790,000	100.00
Shin Gan Co., Ltd.	7,074,057	24.67	11,636,355	40.59	18,710,412	65.26
Yulon IT Solutions Inc.	8,331,999	43.85	10,668,001	56.15	19,000,000	100.00
Hua Han Corporation	521,161	48.99	542,429	51.00	1,063,590	99.99

Note: The investees are investment of the Corporation under equity method.

# Capital Overview

## I. Capital and Shares

### (I) Sources of Capital

Unit: thousand shares; NTD thousand

Month/Year	Issue Price (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increase by assets Other than Cash	Other
09/2007	10	1,800,000	18,000,000	1,391,301	13,913,008	Capital increment by earning	-	2007/09/14 Jing Shou Shang No. 9601227310
01/2011	10	1,800,000	18,000,000	1,384,051	13,840,508	Cancellation of treasury stocks	-	2011/01/17 Jing Shou Shang No. 10001001380

### (II) Type of stock

April 30, 2016

Type of Stock	Authorized Capital		
	Issued Shares (share, note)	Unissued Shares (share)	Total
Inscribed common stock	1,384,050,854	415,949,146	1,800,000,000

Note: TWSE listed stock.

### (III) Status of Shareholders

April 30, 2016

Type of Shareholders Qty	Government Agencies	Financial Institutions	Other Judicial Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	43	145	45,109	260	45,561
Shareholding (share)	37,642,000	77,661,974	621,384,860	226,716,740	420,645,280	1,384,050,854
Shareholding (%)	2.72	5.61	44.90	16.38	30.39	100.00

# Capital Overview

## (IV) Shareholding Distribution Status

April 30, 2016

Shareholder Ownership (share)	Number of Shareholders (person)	Onwership (share)	Ownership (%)
1~ 999	18,113	3,223,801	0.23
1,000~ 5,000	19,535	42,272,547	3.05
5,001~ 10,000	3,967	30,058,554	2.17
10,001~ 15,000	1,293	15,553,166	1.12
15,001~ 20,000	761	14,000,664	1.01
20,001~ 30,000	684	17,140,956	1.24
30,001~ 40,000	286	10,008,967	0.72
40,001~ 50,000	211	9,771,634	0.71
50,001~ 100,000	331	23,968,452	1.73
100,001~ 200,000	165	23,077,022	1.67
200,001~ 400,000	89	25,408,273	1.84
400,001~ 600,000	38	18,486,436	1.34
600,001~ 800,000	14	9,898,714	0.72
800,001~ 1,000,000	16	14,494,247	1.05
Over 1,000,000	58	1,126,687,421	81.40
Total	45,561	1,384,050,854	100.00

## (V) List of Major Shareholders

April 30, 2016

Shareholders	Share	Total Shares Owned (share)	Ownership (%)
1. Tai-Yuen Textile Co., Ltd.		348,589,538	25.19
2. Mitsubishi Motors Corporation		193,768,273	14.00
3. Yulon Motor Co., Ltd.		111,480,444	8.05
4. Diamond Hosiery & Thread Co., Ltd		93,596,630	6.76
5. Mitsubishi Corporation		66,404,796	4.80
6. Cathay Life Insurance Co., Ltd.		41,093,000	2.97
7. Nan Shan Life Insurance Company., Ltd.		23,701,000	1.71
8. Kenneth K. T. Yen		16,621,212	1.20
9. New Labor Pension Fund		13,821,000	0.99
10. Deutsche Bank		12,745,553	0.92

# Capital Overview

## (VI) Market Price, Net Worth, Earnings, and Dividends per Share

Item		Year	2014	2015	As of April 30, 2016
Market Price Per Share (NTD)	Highest		31.35	27.90	23.40
	Lowest		26.00	19.60	20.55
	Average		28.07	24.46	21.94
Net Worth Per Share (NTD)	Before distribution		35.00	35.78	36.49
	After distribution		33.85	35.78 (Note1)	-
Earning Per Share (NTD)	Weighted average shares (thousand shares)		1,384,051	1,384,051	1,384,051
	Earning per share		1.88	2.32	0.77
Dividend Per Share (NTD)	Cash dividend (note 2)		1.10	1.15	-
	Stock dividend	Earning	-	-	-
		Capital Surplus	-	-	-
	Accumulated undistributed dividend		-	-	-
Return on Investment	Price/earning ratio		14.93	10.54	-
	Price/dividend ratio		25.52	21.27	-
	Cash dividend yield rate		3.92%	4.70%	-

Note: 1. The 2016 shareholders' meeting has not yet been convened, and the earning distribution is not yet confirmed. Therefore, the EPS amounts before and after distribution are the same.

2. The earning distribution in previous year.

## (VII) Corporate Dividend Policy and Implementation Status

### 1. Dividend policy

- The dividend policy in the current version of the Articles of Incorporation is as follows:

If there is a profit after the annual closing of books, the Corporation shall, after having provided for taxes and covered the losses of previous years by law, appropriate ten percent (10%) of the net profit after tax to the legal reserve. If there is still a balance, the Corporation shall appropriate special reserve with reference to the regulations of competent authorities and allocate it as follows:

- (1) 0.5% as remunerations for directors and supervisors, except for independent directors who are not allowed to receive the said remuneration.
- (2) 0.1-5% as profit sharing for employees, either in the form of cash or stock, profit sharing for employees in stock should also be distributed to employees of affiliated companies complying with certain requirements established by the

# Capital Overview

board.

- (3) The remainder plus undistributed earnings from prior years, to be distributed as dividends as recommended by the board of directors and approved by the stockholders in their meeting.

The Corporation is operated in a mature and stable industry. Dividends are distributed with reference to the organizational profitability, capital demand for future business plans, and industry environment change. In addition, the dividend distribution plan is made with reference to shareholder benefit and long-term organizational financial planning. Dividends are distributed in the form of cash or stock. The amount of cash distributed each year shall not be less than 20% of the total amount of dividends issued.

- The dividend policy in the proposed amended Articles of Incorporation which will be resolved by 2016 shareholders' meeting is as follows:

If there is a profit after the annual closing of books, the Corporation shall, after having provided for taxes and covered the losses of previous years by law, appropriate ten percent (10%) of the net profit after tax to the legal reserve. The remainder plus undistributed earnings from prior years should be distributed as dividends as recommended by the board of directors and approved by the stockholders in their meeting.

The Corporation is operated in a mature and stable industry. Dividends are distributed with reference to the organizational profitability, capital demand for future business plans, and industry environment change. In addition, the dividend distribution plan is made with reference to shareholder benefit and long-term organizational financial planning. Dividend distribution is not less than 40% of the net income, but there'll no dividend distribution in deficit year. Dividends are distributed in the form of cash or stock. The amount of cash distributed each year shall not be less than 20% of the total amount of dividends issued.

# Capital Overview

## 2. Proposed dividend allocation plan at the present Shareholders Meeting:

The profit allocation plan of 2015 was established by the board to distribute cash dividend at NT\$1.50 per share.

The profit for allocation was appropriated from the unallocated profit of 2015.

If the Corporation decided to re-purchase company shares or assign treasury stock to employees and such decision affects the number of shares circulating on the market on the dividend distribution base date, the shareholders' meeting will be requested to authorize the board to adjust the dividend ratio.

(VIII) The Impact of Stock Dividend Issuance on Business Performance and EPS: N.A.

(IX) Employees' Compensation and Remuneration to Directors and Supervisors

### 1. The percentage or scope of employee' compensation and remuneration to directors and supervisors specified in articles of incorporation

- The policy in the current version of the Articles of Incorporation is as follows:

Please refer to (VII) Corporate Dividend Policy and Implementation Status.

- To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation which will be resolved by 2016 shareholders' meeting is as follows:

#### (1) No higher than 0.5% of net profit before income tax as remunerations for directors.

The remunerations of 18<sup>th</sup> term of BOD distribute to directors and supervisors are calculated by tenure.

#### (2) Not less than 0.1% of net profit before income tax as employee' compensation in the form of cash or stock approved by the BOD. In either form, employee' compensation should also be distributed to employees of affiliated companys complying with certain requirements established by the board.

The employee' compensation and remuneration to directors should be approved by the BOD and then be presented on Shareholders Meeting.

There should be reservation for losses of previous years and then the residential

# Capital Overview

balance should be distributed according to the ratio stipulated in Articles of Incorporation.

2. The accounting for the discrepancy between actual amount distributed and the estimated amount arises from differences of the basis of estimate of employee' compensation and remuneration to directors and supervisors

The Corporation has made as most appropriate estimate and recognized the expenses pursuant to the percentage of employee' compensation and remuneration to directors and supervisors as set forth in the Articles of Incorporation. If there is significant change with the proposed amount by the BOD afterward, the change shall be recognized as expenses in current year (the year of recognizing expenses). If the actual amount of distribution changes upon the amount approved by the BOD in next year, then the change will be carried to the profit and loss of next year in principle of change in accounting estimate.

3. Employee' Compensation and Remuneration to Directors and Supervisors approved by BOD

- (1) The employee' compensation and remuneration to directors and supervisors in cash and stock. Where there is discrepancy between the expenses recorded and the estimated, disclose the amount, reason and handling of difference

The 2015 proposal concerning the employee' compensation and remuneration to directors and supervisors had been approved by the 17<sup>th</sup> meeting of 18<sup>th</sup> term of BOD on March 28, 2016. It is approved to distribute \$21,054 thousands to employees as compensation and \$17,468 thousands to directors and supervisors as remunerations, which are identical to the estimate in the year of recording expenses. In case the actual distribution amount is changed upon the resolution of BOD, it will be deemed as change of accounting estimate and will be adjusted in the actual distributing year.

- (2) The percentage of stock employee' compensation over the net income and the total employee' compensation

There was no stock employee' compensation distributed in 2015 and therefore this

# Capital Overview

is not applicable

4. The actual distribution of employee profit sharing and compensation to directors and supervisors (including the number of shares, amount and share price), the amount, reason and handling of difference from the recognized employee profit sharing and compensations to directors and supervisors.

The 2014 employee profit sharing and compensation to directors and supervisors had been approved by the 11<sup>th</sup> meeting of 18<sup>th</sup> term of BOD on March 23, 2015. The proposed cash bonus to employees was 12,876 thousands and 11,512 as compensation to directors and supervisors, which were identical to the actual amount distributed after the shareholders' meeting.

(X) Buyback of Treasury Stock: None

II. Issuance of Corporate Bonds: None

III. Issuance of Preferred Stock: None

IV. Issuance of Depository Receipts: None

V. Status of Employee Stock Option Plan and Employee Restricted Stock: None

VI. Status of New Share Issuance in Connection with Mergers and Acquisitions:  
None

VII. Financing Plans and Implementation: N.A.

## I. Business Activities

### (I) Business Scope

#### 1. The Main Content of the Corporation's Business:

- (1) CA01090 Aluminum Casting Manufacturing
- (2) CB01010 Machinery and Equipment Manufacturing
- (3) CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing
- (4) CD01030 Automobiles and Parts Manufacturing
- (5) CD01040 Motor Vehicles and Parts Manufacturing
- (6) CD01050 Bicycles and Parts Manufacturing
- (7) CC01090 Batteries Manufacturing
- (8) CD01990 Other Transport Equipment and Parts Manufacturing
- (9) CQ01010 Die Manufacturing
- (10) E603050 Cybernation Equipments Construction
- (11) E603100 Electric Welding Construction
- (12) E604010 Mechanical Installation Construction
- (13) E605010 Computing Equipments Installation Construction
- (14) F106030 Wholesale of Mold
- (15) F112040 Wholesale of Petrochemical Fuel Products
- (16) F113010 Wholesale of Machinery
- (17) F113110 Wholesale of Batteries
- (18) F113020 Wholesale of Household Appliance
- (19) F113070 Wholesale of Telecom Instruments
- (20) F114010 Wholesale of Automobiles
- (21) F114020 Wholesale of Motorcycles
- (22) F114030 Wholesale of Motor Vehicle Parts and Supplies
- (23) F114040 Wholesale of Bicycle Parts and Supplies
- (24) F114050 Wholesale of Tire and Tubes
- (25) F119010 Wholesale of Electronic Materials
- (26) F206030 Retail Sale of Die
- (27) F212050 Retail Sale of Petroleum Products

# Operational Highlights

- (28) F213010 Retail Sale of Household Appliance
- (29) F213060 Retail Sale of Telecom Instruments
- (30) F213110 Retail Sale of Batteries
- (31) F214010 Retail Sale of Automobiles
- (32) F214020 Retail Sale of Motorcycles
- (33) F214030 Retail Sale of Motor Vehicle Parts and Supplies
- (34) F214040 Retail Sale of Bicycles and Parts
- (35) F214050 Retail Sale of Tires and Tubes
- (36) F219010 Retail Sale of Electronic Materials
- (37) F401010 International Trade
- (38) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (39) F501990 Other Eating and Drinking Places Not Elsewhere Classified
- (40) H703100 Real Estate Rental and Leasing
- (41) I102010 Investment Consultancy
- (42) I103060 Management Consulting Services
- (43) I301010 Software Design Services
- (44) I401010 General Advertising Services
- (45) I501010 Product Designing
- (46) IE01010 Telecommunications Number Agencies
- (47) IZ01010 Copying Services
- (48) IZ02010 Typewriting Services
- (49) IZ04010 Translation Services
- (50) IZ12010 Manpower Services
- (51) J901020 Hotels and Motels
- (52) J903020 Mountain Climbing Guiding Services
- (53) JA01010 Automotive Repair and Maintenance
- (54) JA01990 Other Automobile Services
- (55) JA02010 Electric Appliance and Audiovisual Electric Products Repair Shops
- (56) JA02020 Motorcycle Repair Shops
- (57) JA02030 Bicycle Repair Shops
- (58) JB01010 Exhibition Services

# Operational Highlights

- (59) JE01010 Rental and Leasing Business
- (60) J202010 Industry Innovation and Incubation Services
- (61) F106010 Wholesale of Ironware
- (62) CC01020 Electric Wires and Cables Manufacturing
- (63) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (64) CC01080 Electronic Parts and Components Manufacturing
- (65) IZ99990 Other Industry and Commerce Services Not Elsewhere Classified
- (66) ZZ99999 Other than licensed businesses, to manage and operate businesses not prohibited or restricted by law

## 2. Revenue distribution

Manufacture and sales of vehicles and related components accounted for 96% of revenue.

## 3. Current Products of Company

- Commercial vehicles:

- FUSO 3.49 ~ 17T series

- LEADCA 3.49T series

- DELICA 2.4L series

- VERYCA 1.2L/1.3L series

- Sedans:

- LANCER FORTIS 1.8L, LANCER iO 1.8/2.0L series

- COLT PLUS 1.5L series

- Recreational/Business vehicles:

- OUTLANDER 2.4L car series

- ZINGER 2.4L car series

- Electric vehicles:

- Electric scooter series: e-moving, e-moving plus, e-moving young and e-moving Super

- Electric bike: e-moving Bobe

## 4. New products to be developed in the future

The future target markets of the Corporation include Taiwan (domestic) and Asia-Pacific (export). Based on this strategy, products are divided into three groups: (1) value-added innovative models (create product added value through partial modification) for the Taiwan market; (2) models from Asia-Pacific international division of labor (international division of

# Operational Highlights

RD labor: achieving cost-effectiveness with the complementary effect of worldwide parts); and (3) “independently developed models for China and Taiwan markets.

In terms of electric vehicles(EV), aside from the e-moving Series that has received critical acclaim, all EV series can plus an additional battery to enhance durability. EM50 series will launch lightweight battery and e-moving Bobe series launch lead-acid version and lithium revised version to expand sales in metropolis and non-metropolitan areas and young people.

## (II) Industry Overview

### 1. Current status and development of the industry

In recent years, about 300 thousand - 400 thousand cars were sold a year in Taiwan. Thanks to the economic recovery, massive JPY depreciation, and new model launch of different automakers, over 400 thousand cars were sold in Taiwan last year (2015), and 420.8 thousand cars, approximately equals to 423.8 thousand cars sold in 2014.

According to the monitoring indicators National Development Council (NDC) announced last year, it was blue light since the second half of 2015, suggesting a downturn economic period. Looking to 2016, the global economy will tend to recover steadily and have positive influence to domestic investment and export. As Taiwan’s government implements Consumption-Boosting Program, it is expected that domestic economic conditions in 2016 will be better off than in last year (2015). The estimated economic growth rate for 2016 by different research institutions is: DGBAS 1.47%, TIER 1.57%, and CIER 2.24%.

Although the economy is expected to grow continuously this year (2016), as there are still uncertainties at domestic and abroad, the estimated sales of small cars in 2016 will be 410 thousand cars (429 thousand including heavy vehicles), which approximately equals to that of 410.7 thousand cars (420.8 thousand including heavy vehicles) in 2015.

### 2. Interrelations among up-, mid-, and down-stream industries

The auto industry is a technology- and capital-intensive industry covering a wide range of industries, including parts and components at upstream, the whole car manufacture at midstream, and sales and after service at downstream, and each part are closely interrelated with one another. In terms of the interrelation between parts and components and whole car manufacture, as car manufacture and assembly involves complex processes and require over ten thousand parts, part and component suppliers and the auto-making plants form a

# Operational Highlights

satellite-center system with long-term, steady cooperation. As the internal interrelation of the auto industry is close, each auto-making plant will launch vertical integration with upstream and downstream suppliers at different levels.

### 3. Developmental trends of product

The auto market in Taiwan is highly competitive, and different automakers launch different models to create different, new market segmentations. In addition, to cope with the global environmental protection trend and the advent of high oil price era, automakers will emphasize diesel cars, hybrid cars, and even pure electric cars. The Corporation will also assess the implementation of relevant R&D technologies and models.

### 4. Product competition

After long-term competitions, domestic cars have shared nearly 62% of the market, suggesting that the effort in market cultivation of domestic automakers has won market recognition. In the future, the Corporation will continue to engage in R&D and production to enhance product competitiveness and thereby fulfill the constantly changing demand of consumers and market environment.

## (III) Technology and R&D overview

### 1. R&D Expenses

In 2015 and by 30 April 2016 the R&D expenses were NT\$1,871,541 thousand and NT\$505,779 thousand respectively. In 2015 the consolidated R&D expenses were NT\$2,444,982 thousand.

### 2. Successfully developed technology and products in 2015 and by 30 April 2016

- (1) April 2015: Completed the development and began mass production and sales of the LANCER FORTIS special edition.
- (2) September 2015: Completed the development and began mass production and sales of the COLT PLUS X-Sports special edition.
- (3) September 2015: Completed the development and began mass production and sales of the ZINGER new revised version.
- (4) September 2015: Completed the development and began mass production and sales of the VERYCA 4WD complying with relevant safety standards.

# Operational Highlights

- (5) October 2015: Completed the development and began mass production and sales of the LEADCA 2016 vision model.
- (6) November 2015: Completed the development and began mass production and sales of the CANTER 2016 vision model.
- (7) November 2015: Completed the development and began mass production and sales of the FUSO 2016 vision model complying with relevant safety standards.
- (8) November 2015: Completed the development and began mass production and sales of the ZINGER new revised version for export.
- (9) February 2016: Completed the development and began mass production and sales of the LANCER FORTIS 2016 vision model for the Middle East.
- (10) March 2016: Completed the development and began mass production and sales of the DELICA complying with relevant safety standards.
- (11) April 2016: Completed the development and began mass production and sales of the LANCER FORTIS complying with relevant safety standards.
- (12) April 2016: Completed the development and began mass production and sales of the COLT PLUS complying with relevant safety standards.

## (IV) Long- and short-term business development plan

In the short-term development plan, we will continue to launch models under Mitsubishi or SEM's brand to the Taiwan and China markets and expand the scale of export sales. For long-term development, although the oil price continuously dropped last year, it is expected to rise in the long run. To capture the new opportunities from the green energy industry, therefore, the Corporation will aggressively engage in developing electrical 2-wheels production and relative power kits. Therefore, the Corporation will continue out three-fold long-term development strategy: "cultivation of the Taiwan market", "expansion of the China market and export sales", and "entry to the green energy business", so as to maintain profit, sustain business growth, and pursue sustainable operations.

## II. Market, production, and sales overview

### (I) Market analysis

#### 1. Market condition of auto sales

Our product lineup includes commercial cars, sedans, RVs and vans. Currently, Taiwan is the principal market, and expansion of export sales is under way. With the assistance of Mitsubishi Motors in recent years, we exported LANCER FORTIS to the Middle East. In 2015, a total of 42,050 sedans and commercial vehicles (3.5 t and under, including imported models), commanding 10.2% of the market. This figure included 7,624 sedans, reaching 3.5% of the sedan market; 10,595 RVs, gaining 6.6% of the RV market; and 23,831 commercial vehicles (3.5t and under), achieving 74.1% of the commercial vehicle market. In addition, a total of 2,168 heavy vehicles over 3.5t were sold, taking 21.5% of the heavy vehicle market (these figures referred to registered vehicles).

#### 2. Future supply and demand and growth of the auto market

Under the influence of the macro environment, domestic auto sales began to drop significantly from a peak of 510 thousand cars in 2005 to only a half at 229 thousand cars in 2008. As the economy gradually recovered and with the favorable factors came from the government in recent years, auto sales rose back to over 400 thousand cars a year. In the future, it is estimated that sales (includes heavy vehicles) will maintain at 350 thousand to 420 thousand cars a year for the short run.

New or revised models from different brands in 2016:

TOYOTA Sienta、Luxgen S3、HONDA CIVIC & HR-V、HYUNDAI iX35, etc.

#### 3. Competition strategy in the auto market

As the auto market in Taiwan is exceptionally challenging, the Corporation will aggressively cultivate the Taiwan market, expand the China market, increase international sales, and develop self-owned technology as described below:

##### Favorable factors

- (1) After years of diligent cultivation, the Corporation has established an excellent brand image with great word of mouth that has won consumer identification and recognition. Moreover, we have successfully established the No. 1 brand image of RV and commercial vehicle in consumers.
- (2) After independently developing technology for decades, the Corporation has established

# Operational Highlights

- solid technology R&D foundation and capability and partner recognition. Today, the Corporation is part of the international division of labor system of Mitsubishi Motors and has exported whole cars and parts to Southeast Asia, the Middle East, and Latin America.
- (3) The Corporation has established a well-connected sales and service network and complete horizontally integrated business system with service scope covering auto sales, property insurance, car-owner service, car rental, pre-owned car trade, and magazine to comprehensively and effectively enhance organizational competitiveness.
  - (4) Solid sales system support: At present, Fortune Motors Co., Ltd. and Shung Ye Motor are the two distributors of our sedans, RVs, and commercial vehicles, and Yu Ye Motor is the distributor of our heavy commercial vehicles (including the 3.5t Canter). All of them are leading vehicle distributors in Taiwan.

## Unfavorable factors

- (1) Other automakers launch competitive (low fuel consumption and low price) new sedans, commercial vehicles, and RVs.
- (2) Technical source parent company Mitsubishi Motors has changed to niche models, which will influence overall technical support for our products.

## Countermeasures

- (1) Cultivating the Taiwan market: Mitsubishi and own brand dual-line product development, product competitiveness enhancement, shortening product R&D time.

As Taiwan is the fundamental market of CMC, the Corporation will continue to cultivate the Taiwan market. Apart from aggressively striving for new model development with Mitsubishi Motors, the Corporation will develop other products and launch competitive new models, so as to meet the needs for the Taiwan market and shorten product launch time.

- (2) Expanding China market: Integrating with international resources and strengthening competitiveness in the China market with SEM as the core.

A. After importing resources from Mitsubishi Motors, SEM, a CMC re-invested business with controlling power in China, has launched a dual-brand strategy featuring Mitsubishi and own-brand SEM. In 2015 a total of 78 thousand cars were sold. In 2016,

# Operational Highlights

new RV models will be launched and estimated sales are over 120 thousand cars. In the future, the Corporation will maintain close connection with SEM and establish a strategic relationship with SEM to cultivate cross-strait markets.

- B. In addition, Fujian Benz Automotive Co., Ltd., a joint venture established among CMC, Daimler AG, and Fujian Motor, was officially established in June 2007 and began mass product in May 2010. With the resources of SEM OEM plant in Qingkou, Fujian Benz manufactures and distributes high-grade Mercedes sedans to occupy the special niche market, thus enabling CMC to accomplish its product lineups in the China market and become two major pillars of our business in China along with SEM.

- (3) Aggressive participation in the international division of labor system and expanding export scale

Cooperating with the global market development strategy of Mitsubishi Motors, the Corporation will continuously enhance product cost competitiveness to strive for OEM and export contracts of Mitsubishi models. In 2012, the Corporation successfully exported Lancer Fortis to the Middle East, and a total of 3,384 cars were sold cumulatively until the end of 2015. In the future, the Corporation will continue to strive for more export opportunities and more export models from Mitsubishi Motors.

- (4) Strengthening technical R&D capability

After establishing the China-motor Car Asia Research & Technology Center, the Corporation has developed and revised a number of models (e.g., VERYCA/VARICA, FREECA, GRUNDER, ZINGER, COLT PLUS, and LEADCA) based on the demand of Taiwan and China markets. In the future, the Corporation will continue improve independent R&D capability and develop the OEM capability of key parts and components to ensure the market competitiveness of independently developed models and thereby improve self-owned design and R&D capabilities.

## 4. Electric bikes

In 2015, a total of 4,256 e-moving scooters were registered. After the government began to promote TES (Taiwan E-scooter Standard), a total of 26,539 e-moving scooters were sold cumulatively, with a market share at 60%.

In 2015, the total e-scooters market volume was only 11,049, suggesting that there is much room

# Operational Highlights

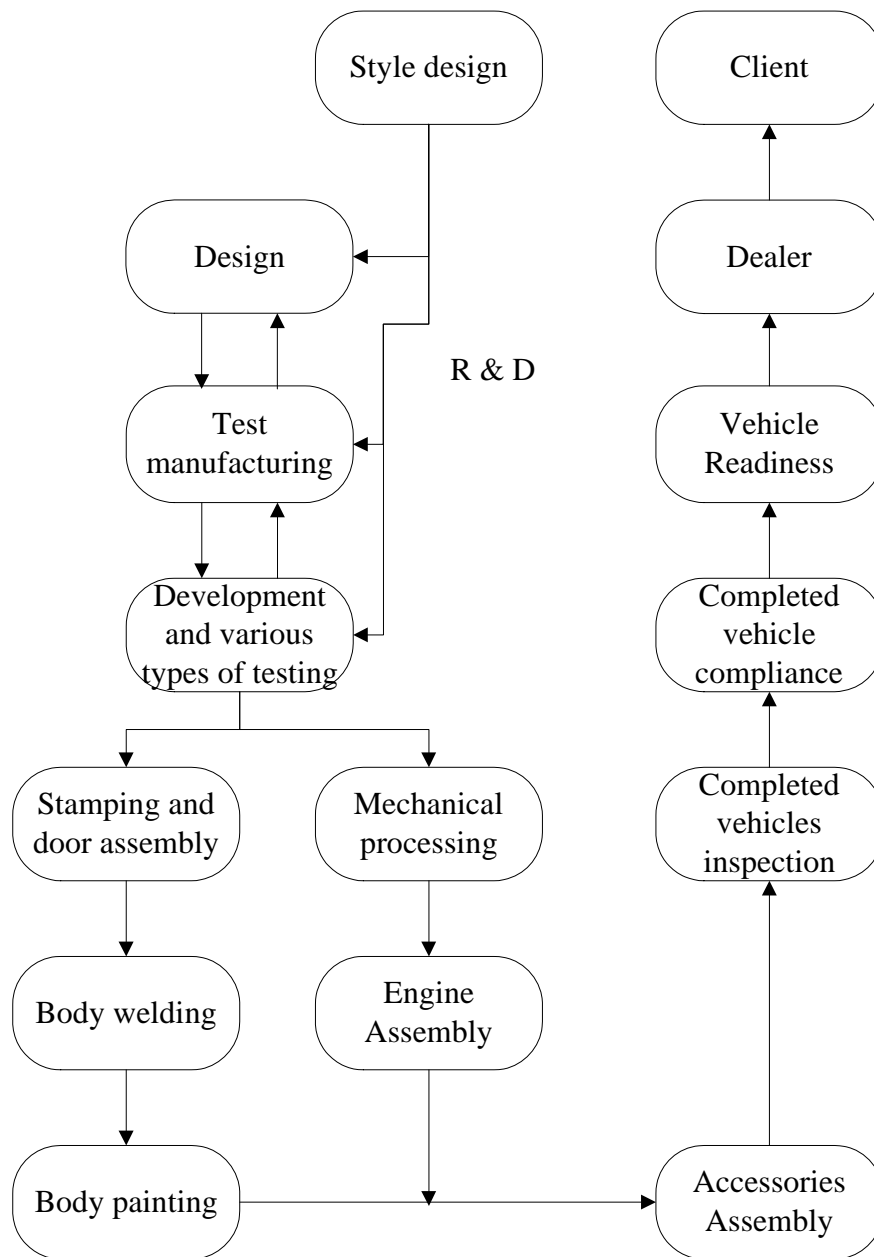
for improvement in promoting e-scooters to the public, both in product acceptance and applicability. The Corporation will continue to keep close cooperation with the Industrial Development Bureau of the Ministry of Economic Affairs and other relevant units to provide more incentives for citizens and improve their confidence in e-scooters and strive for more benefits from the government for consumers to buy e-scooters with lesser financial burdens.

The Corporation will continue to cooperate with the green energy vehicle policy of the government by launching new products, producing key parts and components domestically, and reinforcing product promotion. In addition, the Corporation will aggressively promote the e-scooters to cross-industry corporations, e.g., 3C retailers, department stores, courier services, parking fee collection agencies, and delivery services to encourage the public to use e-scooters. In addition, as a way to promote Low-carbon tourism and confirm the durability, the Corporation provides e-scooter rental services in attractions like outlying islands and Southern Branch of the National Palace Museum. The Corporation also seeks to cooperate with other green-power corporations to heat up and accelerate the maturity of the industry, in the meantime, contributes to energy conservation and emission reduction, and creates more benefits for the Corporation.

# Operational Highlights

## (II) Main Uses and Production Processes of Major Products

The Corporation mainly produces various types of commercial vehicles, sedans, and RV/business vehicles whose main uses are to carry cargo, passengers and offer leisure. The production processes are shown below:



# Operational Highlights

## (III) Supply Status of Main Materials

The raw materials purchased by the Corporation are mainly parts needed for operations such as car manufacturing, sales and maintenance. International supplier is Mitsubishi Corporation of Japan. Domestic parts supplies are supplied by auto parts third-parties. With long term contracts signed and long term cooperation, supply status of raw materials is very stable.

Major Materials	Major Suppliers	Items	Procurement Strategy
Automotive Parts	Mitsubishi Corporation	Parts such as CKD	Contract signed, delivery in installments
Automotive Parts	118 auto parts suppliers such as Kian Shen Corporation, etc	Auto parts that are domestically produced	Contract signed, delivery in installments
Raw materials	CPC Corporation, Taiwan	Various oil products	Contract signed, delivery in installments
Raw materials	Taiwan Kansai Paint Co. Ltd., etc	Baking varnish, spray paint, solvent, etc	Contract signed, delivery in installments
Raw materials	Nippon Steel and Sumitomo Metal and Chun Yuan Steel Industry Co., Ltd.	Steel Plates	Contract signed, delivery in installments

## (IV) Major Suppliers and Clients Taking over 10% of the Amount of Incoming (Sales) over the Last Two Years

### 1. Major Suppliers

Unit: NT\$ thousands

2014				2015				First Quarter, 2016			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to CMC	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to CMC	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to CMC
Mitsubishi Corporation	2,992,245	13	CMC's Corporate Director	South East Motor	2,298,346	10	Investee accounted for using equity method	South East Motor	1,216,680	20	Investee accounted for using equity method
Net Procurement	23,426,133	100	-	Net Procurement	22,636,961	100	-	Net Procurement	5,968,850	100	-

Note: The table above is base on consolidated information.

# Operational Highlights

## 2. Main Customers

Unit: NT\$ thousands

2014				2015				First Quarter, 2016			
Customer	Net Sales	As % of Total Net Sales	Relation to CMC	Customer	Net Sales	As % of Total Net Sales	Relation to CMC	Customer	Net Sales	As % of Total Net Sales	Relation to CMC
Fortune Motors Co., LTD	16,104,468	45	Investee accounted for using equity method	Fortune Motors Co., LTD	16,288,526	44	Investee accounted for using equity method	Fortune Motors Co., LTD	4,974,989	46	Investee accounted for using equity method
Yu Ye Motor	6,201,277	17	-	Yu Ye Motor	6,146,202	17	-	Yu Ye Motor	1,729,492	16	-
Shung Ye Motor Enterprise	5,080,255	14	Investee accounted for using equity method	Shung Ye Motor Enterprise	4,995,219	14	Investee accounted for using equity method	Shung Ye Motor Enterprise	1,262,838	12	Investee accounted for using equity method
Net Sales	35,951,427	100	-	Net Sales	36,884,447	100	-	Net Sales	10,838,415	100	-

Note: The table above is base on consolidated information.

# Operational Highlights

## (V) Production over the Last 2 Years

Unit: Quantity –Vehicles  
Unit: NT\$ thousands

Capacity/ Volume Value Main Products	Year		2014			2015		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value		
4-wheeled vehicles	56,880	45,224	20,506,581	56,880	43,829	19,959,865		
2-wheeled vehicles	14,640	4,536	177,684	14,640	6,467	234,605		

Note: The production volume and value in the table above is mainly based on production of car built-up.  
Production capacity refers the volume manufactured using existing production equipment operating under normal single shift given considerations to factors such as holidays or days when production ceases.

## (VI) Sales over the Last 2 Years

Unit: Quantity –Vehicles (Set)  
Unit: NT\$ thousands

Sales Volume Value Main Products	Year		2014				2015			
	Domestic Sales		Exports		Domestic Sales		Exports			
	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
4-wheeled vehicles	43,163	22,588,077	1,733	516,385	42,696	22,877,895	1,509	462,624		
2-wheeled vehicles	4,813	233,694	-	-	6,283	289,816	-	-		
Sets of parts	-	-	9,900	573,415	-	-	8,280	422,741		

Note: The sales volume and value in the table above is mainly based on sale of car built-up.

## III. Human Resources

Year		2014	2015	April 30, 2016
Number of employees		4,568	4,432	4,494
Average Age (years)		38.51	39.37	39.01
Average Years of Service (years)		11.01	11.46	10.86
Education	Ph.D.	8	9	9
	Master's	548	555	555
	Bachelor's or Other higher education	1,538	1,555	1,590
	High School	1,676	1,625	1,578
	Junior High School or Less	798	688	762

Note: The table above is base on consolidated information.

# Operational Highlights

## IV. Environmental Cost

(I) Losses and Fines Caused by Environmental Pollution during the 2015 Calendar Year and up to April 30, 2016: None

(II) Forecast of Environmental Protection Expenses for Next Three Years

Unit: NT\$ thousands

Year Item	2016		2017		2018	
	Environmental Protection Expenses	Amount	Environmental Protection Expenses	Amount	Environmental Protection Expenses	Amount
Proposed Purchase of Pollution Prevention Equipment or Content of Expenses	(1) Waste water and polluted air running costs	47,681	(1) Waste water and polluted air running costs	129,021	(1) Waste water and polluted air running costs	48,593
	(2) Pollution inspection fees	6,796	(2) Pollution inspection fees	6,100	(2) Pollution inspection fees	6,444
Expected Improvement	Comply with the (1) Air Pollution Control Act, (2) Water Pollution Control Act, (3) Waste Disposal Act, (4) Toxic Chemical Substances Control Act.					

## V. Labor and Management Relationship

(I) Employee's Benefits, Training, Retirement Measures and Implementation

### 1. Employee Benefits Programs

- (1) Providing uniforms, shuttle buses and transport vehicles to return home during consecutive holidays.
- (2) Providing full equipped dormitories, activity centers, training centers, restaurants and nurseries.
- (3) Holding activities such as domestic and foreign travel, year-end dinner and raffles drawing.
- (4) Sponsoring worker social group activities.
- (5) Providing free group term insurance, accident insurance, and regular general health checks.
- (6) Providing hospitalization condolences, sympathy and mutual aid pro mourning, and dependents entitled to hospitalization benefits.
- (7) Providing gifts for the three major Chinese holidays, birthdays, wedding and child birth
- (8) Providing scholarships for employees and their children, emergency loans and aids.
- (9) Signing agreements with excellent domestic stores to become "Special Arrangement Stores" to provide employees with diversified information for purchasing and selection.
- (10) Providing discounts to purchase the Corporation's vehicles.

# Operational Highlights

## 2. People Development

- (1) The Corporation's human resources development integrates the double objectives of "Corporate Development" and "Employee Satisfaction." These objectives are for nurturing professionals, developing personal potential and building a learning organization so that the growth of the Corporation and colleagues are combined with each other.
- (2) To implement the people development vision, the Corporation's human resource development system is divided into "In-house Training", "External Education and Training," "Overseas Training", "On the Job Training" and "Validation Personnel Training." These provide a series of core skill, management skill and professional skill courses and convenient real-time online learning system. These allow the tight integration of employee personal development and work assignments.

### A. In-house Training consists of five categories:

- a. Core work skill training
- b. Management skill training
- c. Professional skill training
- d. New staff training
- e. Project training

### B. External Education and Training:

To carry out the Corporation's educational training, each unit can apply to send employees based on needs to attend educational training courses held outside the Corporation in addition to attending regularly scheduled in-house training. In addition, the application to attend external educational training shall be reviewed and approved by educational and training unit for recommendation on whether to attend or not.

### C. Overseas Training:

Each department can send its staff members to attend overseas training programs held by external institutions based on actual work needs or develop its overseas training plan to send the appropriate staff member. After approval, staff members are then sent abroad for overseas training while providing managerial staff from the mainland China's joint ventures to receive project training in Taiwan.

### D. On the Job Training (OJT):

Using methods such as delegated work, work instructions, project implementation, and so forth, managers at all levels shall develop abilities of the team members based on the individual ability and work nature of the team member.

# Operational Highlights

## E. Validation Personnel Training:

Implement the training of inspection, testing, monitoring, and so forth of processes or product designs, manufacture, installation, services and environmental management of each unit shall be done. The training and qualification certification of internal auditors, environmental management, and occupational safety staff members are held.

## 3. Retirement

(1) The retirement of workers shall be conducted according to the following stipulations:

- A. The Corporation has a retirement plan for formally hired employees. Retirement pensions are set aside into the retirement reserve fund and managed by the Corporation's Labor Pension Fund Supervisory Committee and deposited into Bank of Taiwan on behalf of the committee.
- B. Pension can be claimed only for those conforming to the requirements of Labor Standards Act upon retirement for those who select to retire according to the regulations of the Labor Standards Act.
- C. For those who select the Labor Pension Act, the Corporation shall set aside funds monthly based on the employees' wages. In addition, the working years prior to selecting the Labor Pension Act shall be retained until the time conforming to the stipulations of retirement according to the Labor Pension Act. Only upon retirement shall the pension be claimed.
- D. The Labor Pension Act is applicable to all employees (including those re-employed after leaving the Corporation) that reported to duty after July 1, 2005.

(2) The standard for retirement is based on the following stipulations:

- A. For employees satisfying any of the conditions listed below, they can apply for voluntary retirement.
  - a. For those who have worked in the Corporation for fifteen years and aged fifty-five or above.
  - b. For those who have worked in the Corporation for twenty-five years.
  - c. For those who have worked in the Corporation for ten years and aged sixty or above.
- B. The Corporation shall not implement compulsory retirement unless one of the following conditions applies:
  - a. For those aged sixty-five or above.
  - b. For those unable to fulfill their duties at work due to insanity or physical disability.

# Operational Highlights

- (3) The calculation for the amount of pension given is based on the following criteria for those where Labor Standards Act apply:
  - A. Based on years worked, each full year worked shall receive two basis points. However, for those with years work exceeding fifteen years, each full year worked shall receive one basis point with the highest total of forty-five points as the upper limit. For those who have worked less than half a year, the basis used is one-half year. Those who have worked half a year or more shall be calculated based on one full year.
  - B. For employees who become insane or physically disabled while performing work duties, an additional twenty percent or five basis points (which ever one is more) shall be added in addition to those stipulated by the previous article.
  - C. The standard of pension basis point refers to the monthly average age at the time of retirement.

## 4. Labor and Management Agreement

- (1) The Corporation philosophy is based on coexistence and common prosperity through the spirit of working together cooperatively and harmoniously to seek the maximum well-being for all.
- (2) The establishing of year-end bonuses and profit-sharing system match the interests of employees in conjunction with the Corporation's interests and create outstanding employee performance in the process.
- (3) Regular labor and management meetings are held to ensure smooth communication channels and promote labor and management harmony.

## 5. Implementation of Measures Protecting Employee Rights

- (1) Promoting employee assistance programs, maintaining health of employees in terms of physical and social functions, providing psychological and legal consultations and counseling, and establishing comprehensive, holistic care counseling system.
- (2) Conducting management skill training and implementing counseling skills in day to day management.
- (3) Promoting mutely-channel communication concepts, encouraging participating in management, developing team consensus.
- (4) Being open and public about management and operating conditions, increasing solidarity and sense of crisis among employees.

# Operational Highlights

- (5) Emphasizing worker issues, establishing sound labor unions and ensuring employee rights.
- (6) Holding labor and management meetings regularly to coordinate labor and management relations.

## 6. Protective Measures for Work Environment and Employee Safety

- (1) Work Environment: The Corporation provides a good work environment to employees in the following specific ways:
  - A. Planting large amount of plants in the factory's empty spaces to beautify the environment. In addition, themes are planned according to the four seasons for the flower section and seasonal flowers.
  - B. Setting up rest areas as QCC garden, coffee shops, and so forth.
  - C. Banning cigarette smoking in all workplace and restaurants, so that cigarette smoking can only be in designated areas.
  - D. Setting up dedicated walkways for dining and commuting, ensuring proper separation of people and vehicle lanes.
  - E. Establishing widely turbine exhausts and local exhausts in the factory area to ensure the air quality.
  - F. Setting up air conditioner in the painting field operation area to raise comfort level.
  - G. Measuring the operating environment focusing on the monitoring and improvement of operational areas for the plant dust, noise, organic solvents and so forth semiannually.
- (2) Protecting of Employee Safety
  - A. Introducing occupational safety and health management system and improving health and safety management performance.
  - B. Formulating labor safety and health management programs to implement and ensure the safety and health of the employees.
  - C. Environmental health and safety meetings are held regularly. In addition, tracking safety and health performance indicators are to done to reach state to strengthen the implementation of safety and health policy.
  - D. Implanting concepts of predetermined danger and risk management into the minds of employees and families. To continue promoting residential safety and fire escape, to implement fire escape training in offices, factories and dormitories, to promote the prevention of carbon monoxide poisoning and traffic safety, on site safety observations, cases of other factory occupational hazards, and so forth.
  - E. Implementing regular health checks for employees. For those with abnormalities,

# Operational Highlights

requesting periodic follow-up and tracking or treatment is done in addition to health education to ensure the physical health of employees.

## 7. Code of Ethics and Business Conduct

(1) Code of Conduct: The Corporation employees' code of conduct is "Honesty, Caring, and Responsibility."

(2) Code of Ethics: The Corporation work rules have a chapter dedicated to "Service Ethics." The chapter includes explicit specifications regarding working attitude, strict keeping of confidentiality, requirements regarding using public properties, no bribery or improper benefits allowed, and so forth.

(3) Learning Code of Conduct and Code of Ethics are the keypoints of new employee training.

(II) Dispute between Labor and Management during the 2015 Calendar Year and up to April 30, 2016  
The Corporation has had no labor disputes in 2015 and as of April 30, 2016. In the future, this philosophy will be used to promote labor and management harmony. Therefore, the prediction is that there will not be any labor disputes or losses from it.

# Operational Highlights

## VI. Major Contracts

Contract Nature	Interested Party	Contract Term	Content	Restrictions
Licensing and technology cooperation	Mitsubishi Motors Corporation	July 1, 2005 to September 2025.	The Corporation is licensed to manufacture and sell parts, components, and vehicles designed by Mitsubishi Motors based on the design, drawings, and technical specifications provided by Mitsubishi Motors. Mitsubishi Motors should send staff to provide necessary technical assistance in manufacture for the Corporation at any time at the request of the Corporation.	The Corporation should not assign or re-license the rights and licenses granted by Mitsubishi Motors to a third party without prior permission of Mitsubishi Motors.
Licensing and technology cooperation contracts	Mitsubishi FUSO Truck and Bus Corporation	<ul style="list-style-type: none"> <li>➤ May 23, 2005 until contract termination for CANTER model.</li> <li>➤ January 9, 2006 until contract termination for FUSO model.</li> <li>➤ May 7, 2013 for a term of 8 years for TF model.</li> <li>➤ May 29, 2013 for a term of 8 years for Euro 5 TA model.</li> </ul>	The Corporation is licensed to manufacture and sell the parts, components, and trucks designed by Mitsubishi FUSO based on the design, drawings, and technical specifications provided by Mitsubishi FUSO. Mitsubishi FUSO should send staff to provide necessary technical assistance in manufacture for the Corporation at any time at the request of the Corporation.	The Corporation should not assign or re-license the rights and licenses granted by Mitsubishi FUSO to a third party without prior permission of Mitsubishi FUSO.
Distribution contract	Fortune Motors Co., Ltd.	August 1, 2014 to July 31, 2017	Distribution of sedans, RVs, vans, and trucks under 3.5t (exclusive).	Territory: Taiwan and Fujian areas under the ROC jurisdiction.
Distribution contract	Shung Ye Motor	December 30, 2014 to December 29, 2017	Distribution of sedans, RVs, and vans under 3.5t (exclusive).	Territory: Taiwan and Fujian areas under the ROC jurisdiction.
Distribution contract	Yu Ye Motors	August 1, 2013 to July 31, 2016	Distribution of trucks and truck chassis of 3.5t and up.	Territory: Taiwan and Fujian areas under the ROC jurisdiction.
Shareholders Agreement	Daimler AG	Since November 4, 2004.	Established and managed Fujian Daimler Automotive Co., Ltd. (now Fujian Benz Automotive Co., Ltd.), a joint venture established among CMC, Daimler AG, and Fujian Motor, to manufacture medium and light sedans at 2-6t.	Except for models licensed by Mitsubishi Motors or Daimler AG or independently developed models, the Corporation should not develop, manufacture, and distribute models competitive with models manufactured and distributed by Fujian Benz Automotive Co., Ltd. in China.

# Financial Highlights

## I. Condensed Balance Sheet and Statement of Comprehensive Income over the Last Five Years

### (I) Condensed Balance Sheet and Statement of Comprehensive Income

#### 1. Condensed Balance Sheet

##### (1) Consolidated Financial Report

Unit: NT\$ thousands

Item	Year	Financial Data Last Five Years					Financial Data to March 31, 2016 Financial Data
		2015 (Note 1)	2014 (Note 2)	2013	2012	-	
Current assets		23,381,141	22,939,000	23,879,163	22,358,136		22,417,867
Long-term Investments		30,441,435	29,743,458	27,698,817	26,770,354		30,577,444
Property, Plant, & Equipment		6,543,123	6,490,732	5,952,588	5,486,371		6,556,336
Intangible Assets		208,051	245,859	188,472	93,666	Please refer to (II)1. Condensed Balance Sheet – ROC GAAP for the condensed balance sheet for 2008 - 2012 since IFRSs were implemented for the first time in 2013.	198,599
Other Assets		2,108,281	2,104,369	2,341,370	2,337,760		1,972,803
Total Assets		62,682,031	61,523,418	60,060,410	57,046,287		61,723,049
Current Liabilities	Before Distribution	7,694,923	7,856,941	8,393,456	8,651,966		6,688,966
	After Distribution	7,694,923	9,448,599	9,915,912	9,897,612		6,688,966
Non-current Liabilities		2,327,897	2,267,307	2,228,053	2,289,245		1,280,855
Total Liabilities	Before Distribution	10,022,820	10,124,248	10,621,509	10,941,211		7,969,821
	After Distribution	10,022,820	11,715,906	12,143,965	12,186,857	7,969,821	
Equity Attributable to owners of the Corporation		49,515,345	48,441,258	46,725,127	43,599,725	50,501,218	
Capital Stock		13,840,508	13,840,508	13,840,508	13,840,508	13,840,508	
Capital Surplus		6,404,906	6,392,369	6,376,868	6,373,509	6,422,187	
Retained Earnings	Before Distribution	27,800,054	26,422,019	25,516,688	24,130,457	28,844,180	
	After Distribution	27,800,054	24,830,361	23,994,232	22,884,811	28,844,180	
Other Equity		1,469,877	1,786,362	991,063	(744,749)	1,394,343	
Treasury stock		-	-	-	-	-	
Non-controlling Interests		3,143,866	2,957,912	2,713,774	2,505,351	3,252,010	
Total Equity	Before Distribution	52,659,211	51,399,170	49,438,901	46,105,076	53,753,228	
	After Distribution	52,659,211	49,807,512	47,916,445	44,859,430	53,753,228	

Note 1: Because the 2016 shareholders' meeting is not held yet, the earnings distribution is not yet finalized. Therefore, the earnings before and after distribution are the same.

Note 2: Disclosures are in accordance with the revised Statement.

# Financial Highlights

## (2) Unconsolidated Financial Report

Unit: NT\$ thousands

Year		Financial Data Last Five Years				
		2015 (Note1)	2014 (Note2)	2013	2012	-
Item						
Current assets		17,158,094	16,872,698	16,865,341	15,344,312	
Long-term Investments		34,086,964	33,399,414	32,055,302	31,493,938	
Property, Plant, & Equipment		3,502,485	3,370,510	2,920,646	2,449,934	
Intangible Assets		180,379	218,187	160,800	65,993	
Other Assets		1,329,847	1,314,492	1,362,665	1,412,078	
Total Assets		56,257,769	55,175,301	53,364,754	50,766,255	
Current Liabilities	Before Distribution	4,909,342	4,971,795	4,891,727	5,312,757	Please refer to (II) 1. Condensed Balance Sheet – ROC GAAP for the condensed balance sheet for 2008 - 2012 since IFRSs were implemented for the first time in 2013.
	After Distribution	4,909,342	6,563,453	6,414,183	6,558,403	
Non-current Liabilities		1,833,082	1,762,248	1,747,900	1,853,773	
Total Liabilities	Before Distribution	6,742,424	6,734,043	6,639,627	7,166,530	
	After Distribution	6,742,424	8,325,701	8,162,083	8,412,176	
Capital Stock		13,840,508	13,840,508	13,840,508	13,840,508	
Capital Surplus		6,404,906	6,392,369	6,376,868	6,373,509	
Retained Earnings	Before Distribution	27,800,054	26,422,019	25,516,688	24,130,457	
	After Distribution	27,800,054	26,830,361	23,994,232	22,884,811	
Other Equity		1,469,877	1,786,362	991,063	( 744,749)	
Treasury stock		-	-	-	-	
Total Equity	Before Distribution	49,515,345	48,441,258	46,725,127	43,599,725	
	After Distribution	49,515,345	46,849,600	45,202,671	42,354,079	

Note1: Because the 2016 shareholders' meeting is not held yet, the earnings distribution is not yet finalized. Therefore, the earnings before and after distribution are the same.

Note2: Disclosures are in accordance with the revised Statement.

# Financial Highlights

## 2. Statement of Comprehensive Income

### (1) Consolidated Financial Reports

Unit: NT\$ thousands (except EPS, NT\$)

Item \ Year	Financial Data for Last Five Years					Financial Data to March 31, 2016
	2015	2014(Note)	2013	2012	-	
Operating Revenue	36,884,447	35,951,427	35,539,825	41,786,130		10,838,415
Realized Gross Profit	6,713,127	6,062,064	5,182,483	5,573,613		2,034,214
Profit from Operations	2,215,415	1,969,934	1,380,509	1,295,750		874,547
Non-operating income and expenses	1,675,814	1,269,735	1,685,439	1,231,375		439,707
Profit Before Income Tax	3,891,229	3,239,669	3,065,948	2,527,125	Please refer to (II) 2. Condensed Income Statement – ROC GAAP for the condensed balance sheet for 2008 – 2012 since IFRSs were implemented for the first time in 2013.	1,314,254
Net Profit from continuing operations after income taxes	3,504,688	2,821,482	2,751,022	2,322,084		1,163,090
Net Profit from discontinued operations	-	-	-	-		-
Net Profit (losses)	3,504,688	2,821,482	2,751,022	2,322,084		1,163,090
Other Comprehensive income (Loss) (after-tax)	( 544,138)	732,458	1,916,382	(1,092,941)		( 85,370)
Total Comprehensive income	2,960,550	3,553,940	4,667,404	1,229,143		1,077,720
Net profit attributable to owners of the Corporation	3,166,104	2,558,118	2,531,878	2,139,436		1,045,130
Net profit attributable to non-controlling interests	338,584	263,364	219,144	182,648		117,960
Total Comprehensive income attributable to owners of the Corporation	2,667,467	3,223,837	4,368,486	1,102,399		969,576
Total Comprehensive income attributable to non-controlling interests	293,083	330,103	298,918	126,744		108,144
Earnings per share (NT\$)	2.32	1.88	1.86	1.57	0.77	

Note: Disclosures are in accordance with the revised Statement.

# Financial Highlights

## (2) Unconsolidated Financial Report

Unit: NT\$ thousands (except EPS, NT\$)

Item \ Year	Financial Data for Last Five Years				
	2015	2014(Note)	2013	2012	-
Operating Revenue	28,447,231	28,272,683	27,562,088	33,836,593	Please refer to (II) 2. Condensed Income Statement – ROC GAAP for the condensed balance sheet for 2008 – 2012 since IFRSs were implemented for the first time in 2013.
Gross Profit	4,874,165	4,550,959	3,807,173	4,111,778	
Profit from Operations	2,004,701	1,971,191	1,705,072	1,709,453	
Non-operating income and expenses	1,450,403	925,927	1,045,806	565,563	
Profit Before Income Tax	3,455,104	2,897,118	2,750,878	2,275,016	
Net Profit from continuing operations After Income Taxes	3,166,104	2,558,118	2,531,878	2,139,436	
Net Profit from discontinued operations	-	-	-	-	
Net Pfofit (losses)	3,166,104	2,558,118	2,531,878	2,139,436	
Other Comprehensive income(after-tax)	( 498,637)	665,719	1,836,608	( 1,037,037)	
Total Comprehensive income	2,667,467	3,223,837	4,368,486	1,102,399	
Earnings per share (NT\$)	2.32	1.88	1.86	1.57	

Note: Disclosures are in accordance with the revised Statement.

# Financial Highlights

## (II) Condensed Balance Sheet and Statement of Income - ROC GAAP

### 1. Condensed Balanced Sheet – R.O.C. GAAP

Unit: NT\$ thousands

Item		Financial Data for Last Five Years				
		2012	2011	2010	2009	2008
Current assets		15,568,284	16,731,597	14,763,451	14,282,819	9,855,613
Funds and Investments		31,039,936	30,928,684	30,063,228	29,422,869	29,705,189
Fixed assets		3,231,078	3,172,693	4,019,289	4,811,678	5,648,411
Intangible Assets		65,993	128,238	206,367	287,001	313,526
Other assets		352,644	317,338	316,179	595,315	874,786
Total assets		50,257,935	51,278,550	49,368,514	49,399,682	46,397,525
Current liabilities	Before distribution	5,246,612	6,221,971	5,021,749	6,218,155	5,273,289
	After distribution	6,492,258	7,882,832	6,405,800	6,633,370	5,273,289
Long-term liabilities		6,026	17,244	829,537	1,430,008	838,450
Other liabilities		1,691,042	1,699,475	1,850,007	1,938,573	2,151,500
Total liabilities	Before distribution	6,943,680	7,938,690	7,701,293	9,586,736	8,263,239
	After distribution	8,189,326	9,599,551	9,085,344	10,001,951	8,263,239
Capital stock		13,840,508	13,840,508	13,840,508	13,913,008	13,913,008
Capital surplus		8,183,718	8,224,130	8,130,587	8,145,402	8,140,986
Retained Earnings	Before distribution	21,606,035	21,110,457	19,449,337	17,089,599	16,232,054
	After distribution	20,360,389	19,449,596	18,065,286	16,674,384	16,232,054
Unrealized Gain/Loss on financial instruments		( 778,802)	( 788,677)	11,675	( 262,815)	( 1,188,279)
Cumulative translation adjustments		( 100,450)	364,319	( 376,967)	488,296	727,284
Net loss not recognized as pension cost		( 129,459)	( 103,732)	( 81,218)	( 67,696)	( 197,977)
Total Equity	Before distribution	43,314,255	43,339,860	41,667,221	39,812,946	38,134,286
	After distribution	42,068,609	41,678,999	40,283,170	39,397,731	38,134,286

# Financial Highlights

## 2. Condensed Income Statement – R.O.C. GAAP

Unit: NT\$ thousands (except EPS, NT\$)

Item \ Year	Financial Data for Last Five Years				
	2012	2011	2010	2009	2008
Operating Revenue	33,836,593	35,913,458	31,904,055	28,394,014	23,296,214
Gross Profit	4,111,778	4,067,486	3,630,959	2,198,260	1,483,315
Operating Income	1,708,658	1,935,417	1,782,366	510,237	( 892,827)
Non-operating income and gains	911,799	1,424,109	1,664,675	1,077,396	1,119,394
Non-operating expenses and losses	328,050	95,315	181,104	400,845	6,763,224
Income from continuing operations before income taxes	2,292,407	3,264,211	3,265,937	1,186,788	(6,536,657)
Net Income from continuing operations	2,156,407	3,045,211	2,885,937	859,788	(5,465,657)
Net Income from discontinued operations	-	-	-	-	-
Extraordinary gain or loss	-	-	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income	2,156,407	3,045,211	2,885,937	859,788	(5,465,657)
Earnings per share (NT\$)	1.56	2.2	2.09	0.62	( 3.95)

### (III) Auditors' Opinions for the Last Five Years

Year	2015	2014	2013	2012	2011
CPA	Eddie Shao Lilac Shue	Eddie Shao(Note) Lilac Shue	Denny Kuo Lilac Shue	Denny Kuo (Note) Lilac Shue	Eddie Shao Lilac Shue
Auditors' Opinion	A Modified Unqualified Opinion	A Modified Unqualified Opinion	A Modified Unqualified Opinion	A Modified Unqualified Opinion	A Modified Unqualified Opinion

Note: Because of internal rotation within the CPA firm, the auditing CPA changed from Denny Kuo to Eddie Shao in 2014. In addition, the auditing CPA changed from Eddie Shao to Denny Kuo in 2012.

# Financial Highlights

## II. Financial Analysis over the Last Five Years

### (I) Financial Analysis

#### 1. Consolidated Financial Report

Item of Analysis		Financial Analysis for the Last Five Years					Financial Data to March 31, 2016
		2015	2014	2013	2012	-	
Capital Structure Analysis (%)	Debt Ratio	15.99	16.45	17.68	19.18		12.91
	Long-term Fund to Property, Plant, and Equipment Ratio	840.38	827.03	867.97	882.08		839.40
Liquidity Analysis %	Current Ratio	303.85	292.47	284.50	258.42	Please refer to (II) Financial Analysis – ROC GAAP for the financial analysis for 2008 ~ 2012 since IFRSs were implemented for the first time in 2013.	335.15
	Quick Ratio	217.58	207.99	199.40	161.79		260.84
	Times Interest Earned (Times)	223.80	153.02	110.40	67.04		406.76
Operating Performance Analysis (Times)	Average Collection Turnover	12.85	11.93	11.34	12.54		14.40
	Days Sales Outstanding (Days)	28.40	30.60	32.19	29.11		25.35
	Average Inventory Turnover	5.45	5.08	4.47	5.17		7.98
	Average Payment Turnover	8.87	8.16	8.31	9.74		11.58
	Average Inventory Turnover Days (Days)	66.97	71.85	81.66	70.60	45.74	
	Property, Plant, and Equipment Turnover	5.45	5.59	5.98	7.31	6.62	
Profitability Analysis (%)	Total Assets Turnover	0.57	0.57	0.58	0.70	0.70	
	Return on Total Assets	5.67	4.67	4.74	4.04	7.50	
	Return on Equity	6.74	5.60	5.76	5.01	8.74	
	Pre-tax Income to Paid in capital	28.11	23.41	22.15	18.26	37.98	
	Net Margin	9.86	8.12	8.04	5.73	42.92	
Cash Flow (%)	Earnings per Share (NT\$)	2.32	1.88	1.86	1.57	0.77	
	Cash Flow Ratio	38.48	47.78	33.69	12.50	21.35	
	Cash Flow Adequacy Ratio	N/A	N/A	N/A	N/A	N/A	
Leverage	Cash Flow Reinvestment Ratio	1.66	2.75	2.00	( 0.77)	1.72	
	Operating Leverage	2.76	2.76	3.69	3.84	2.74	
	Financial Leverage	1.01	1.01	1.02	1.03	1.00	

1. “Times Interest Earned” increased in 2015 mainly because the Interest Expenses decreased.
2. Profitability ratios increased in 2015 mainly because the net profit increased.
3. “Cash Flow Ratio” and “Cash Flow Reinvestment Ratio” decreased in 2015 mainly because the “Cash Provided by Operating Activities” decreased.

# Financial Highlights

## 2. Unconsolidated Financial Report

Item of Analysis		Year	Financial Analysis for the Last Five Years			
		2015	2014	2013	2012	-
Capital Structure Analysis (%)	Debt Ratio	11.98	12.20	12.44	14.12	
	Long-term Fund to Property, Plant, and Equipment Ratio	1466.06	1489.51	1659.67	1855.29	
Liquidity Analysis %	Current Ratio	349.50	339.37	344.77	288.82	Please refer to (II) Financial Analysis – ROC GAAP for the financial analysis for 2008 ~ 2012 since IFRSs were implemented for the first time in 2013.
	Quick Ratio	258.07	248.08	252.19	174.86	
	Times Interest Earned (Times)	26375.84	32924.75	15994.48	1682.46	
Operating Performance Analysis (Times)	Average Collection Turnover	17.44	17.56	16.94	18.03	
	Days Sales Outstanding (Days)	20.93	20.79	21.55	20.24	
	Average Inventory Turnover	5.85	5.77	4.92	5.85	
	Average Payment Turnover	9.17	8.81	8.77	10.11	
	Average Payment Turnover Days (Days)	62.39	63.26	74.19	62.39	
Profitability Analysis (%)	Property, Plant, and Equipment Turnover	8.14	8.85	10.09	13.77	
	Total Assets Turnover	0.50	0.51	0.52	0.65	
	Return on Total Assets	5.68	4.71	4.86	4.16	
Cash Flow (%)	Return on Equity	6.46	5.38	5.61	4.88	
	Pre-tax Income As Ratio of Paid in capital	24.96	20.93	19.88	16.44	
	Net Margin	11.32	9.19	9.34	6.42	
	Earnings per Share (NT\$)	2.32	1.88	1.86	1.57	
Leverage	Cash Flow Ratio	56.80	48.57	62.09	13.50	
	Cash Flow Adequacy Ratio	N/A	N/A	N/A	N/A	
	Cash Flow Reinvestment Ratio	1.61	1.22	2.50	( 1.38)	
Leverage	Operating Leverage	2.93	2.56	3.55	1.79	
	Financial Leverage	1.00	1.00	1.00	1.00	

1. Profitability ratios increased in 2015 mainly because the net profit after tax increased.  
2. “Cash Flow Ratio” and “Cash Flow Reinvestment Ratio” increased in 2015 mainly because the “Cash Provided by Operating Activities” increased.

# Financial Highlights

## 1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Fixed Assets Ratio = (Equity + Non-current Liabilities) / Net Property, Plant, & Equipment

## 2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

## 3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Property, Plant, & Equipment Turnover = Net Sales / Net Property, Plant, & Equipment
- (7) Total Assets Turnover = Net Sales / Total Assets

## 4. Profitability Analysis

- (1) Return on Total Assets = (Net Profit + Interest Expenses \* (1 - Effective tax rate)) / Average Total Assets
- (2) Return on Equity = Net Profit / Average Equity
- (3) Net Margin = Net Profit / Net Sales
- (4) Earnings per Share = (Net Profit - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

## 5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Generated from Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant, & Equipment + Long-term Investments + Other Non-current Assets + Working Capital)

## 6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost of goods sold) / Profit from Operations
- (2) Financial Leverage = Profit from Operations / (Profit from Operations - Interest Expenses)

# Financial Highlights

## (II) Financial Analysis – R.O.C. GAAP

Item of Analysis		Year	Financial Analysis for the Last Five Years				
		2012	2011	2010	2009	2008	
Capital Structure Analysis (%)	Debt Ratio	13.82	15.48	15.60	19.41	17.81	
	Long-term Fund to Fixed Assets Ratio	1340.74	1366.57	1057.32	857.14	689.98	
Liquidity Analysis %	Current Ratio	296.73	268.91	293.99	229.70	186.90	
	Quick Ratio	181.29	192.53	233.11	180.11	101.10	
	Times Interest Earned (Times)	1695.31	196.95	96.12	23.83	( 86.88)	
Operating Performance Analysis (Times)	Average Collection Turnover	18.32	17.80	12.46	12.31	9.23	
	Days Sales Outstanding (Days)	19.92	20.51	29.29	29.65	39.54	
	Average Inventory Turnover	5.86	8.80	10.04	7.38	4.83	
	Average Payment Turnover	10.13	10.20	8.90	10.28	8.68	
	Average Inventory Turnover Days (Days)	62.28	41.48	36.35	49.46	75.56	
	Fixed Assets Turnover	10.47	11.32	7.94	5.90	4.12	
	Total Assets Turnover	0.67	0.70	0.65	0.57	0.50	
Profitability Analysis (%)	Return on Total Assets	4.25	6.08	5.90	1.88	( 10.50)	
	Return on Equity	4.98	7.16	7.08	2.21	( 13.05)	
	Ratio to Pain-in Capital	Operating Income	12.35	13.98	12.88	3.67	( 3.76)
		Income before tax	16.56	23.58	23.60	8.53	( 46.98)
	Net Margin	6.37	8.48	9.05	3.03	( 23.46)	
	Earnings per Share (NT\$)	1.56	2.20	2.09	0.62	( 3.95)	
Cash Flow (%)	Cash Flow Ratio	26.55	36.18	95.89	71.62	24.80	
	Cash Flow Adequacy Ratio	113.96	126.41	119.07	93.49	53.22	
	Cash Flow Reinvestment Ratio	(0.39)	1.28	6.63	6.91	1.22	
Leverage	Operating Leverage	2.11	2.49	2.74	9.57	( 6.99)	
	Financial Leverage	1.00	1.01	1.02	1.11	0.88	

# Financial Highlights

## 1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

## 2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

## 3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Fixed Assets Turnover = Net Sales / Net Fixed Assets
- (7) Total Assets Turnover = Net Sales / Total Assets

## 4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective tax rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Shareholders' Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

## 5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)

## 6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

## III. Supervisors' Review Report

The Corporation's financial report and consolidated financial reports for fiscal year 2015 prepared by the Board of Directors have been audited and reviewed by Eddie Shao, CPA and Lilac Shue, CPA of Deloitte & Touche LLP. Together with the business report and earnings distribution report, these have been sent to the supervisors for review and been determined to be correct. According to the regulation of Company Act Article 219, our report is therefore presented.

Respectfully

Authorized and Sealed

Presented above

The Corporation's 2016 Shareholders' Meeting

Supervisor: Le Wen Enterprise Co.



Representative: Wei-Kung Chi



Representative: Tai-Ming Chen



March 28, 2016

# Financial Highlights

## IV. Consolidated Financial Statements and Appendix

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
China Motor Corporation

We have audited the accompanying consolidated balance sheets of China Motor Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2015 and 2014 of Daimler Vans Hong Kong Ltd., Guangzhou NTN-Yulon Drivertrain Co., Ltd., Shung Ye Motors Corporation, Uni Auto Parts Manufacture Co., Ltd. and Soueast-motor Co., Ltd., and the financial statements as of and for the year ended December 31, 2015 of Xiangyang NTN-Yulon Drivertrain Co., Ltd., in which the Group had equity-method investments, as shown in the accompanying financial statements. These investments were 8.7% (NT\$5,463,784 thousand) and 8.1% (NT\$5,003,779 thousand) of the Group's total assets as of December 31, 2015 and 2014, respectively. The Group had an equity of NT\$33,206 thousand in these investees' comprehensive loss and an equity of NT\$85,600 thousand in their comprehensive income, which were 1.1% and 2.4%, respectively, of the Group's total comprehensive income in 2015 and 2014, respectively. These investees' financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and the consolidated financial performance and the consolidated cash flows for the years then ended, in conformity 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 Internationals (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

# Financial Highlights

We have also audited the financial statements of the parent company, China Motor Corporation, as of and for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified report.

Deloitte & Touche

March 28, 2016

## 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.*

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (Restated)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 12,717,820	20	\$ 11,211,609	18
Financial assets at fair value through profit or loss (Notes 4 and 7)	340,976	-	631,143	1
Available-for-sale financial assets (Notes 4 and 8)	764,991	1	1,556,952	3
Notes receivable, net (Notes 4 and 10)	160,346	-	248,494	-
Accounts receivable, net (Notes 4 and 10)	991,138	2	934,816	2
Trade receivables from related parties, net (Notes 4 and 27)	1,635,172	3	1,560,828	3
Other receivables (Note 4)	131,957	-	169,118	-
Inventories (Notes 4 and 12)	5,043,959	8	5,704,551	9
Other current assets (Notes 4, 9, 23, 27 and 28)	<u>1,594,782</u>	<u>3</u>	<u>921,489</u>	<u>1</u>
Total current assets	<u>23,381,141</u>	<u>37</u>	<u>22,939,000</u>	<u>37</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets, net of current portion (Notes 4 and 8)	872,350	1	863,278	2
Financial assets measured at cost (Notes 4 and 13)	293,767	1	468,225	1
Debt investments with no active market (Notes 4 and 14)	2,129,979	4	1,316,118	2
Investments accounted for using the equity method (Notes 4 and 15)	27,145,339	43	27,095,837	44
Property, plant and equipment (Notes 4, 16, 27 and 28)	6,543,123	11	6,490,732	11
Investment properties (Notes 4, 17 and 28)	1,428,944	2	1,441,857	2
Intangible assets under development (Note 4)	180,379	-	218,187	-
Goodwill (Note 4)	27,672	-	27,672	-
Deferred tax assets (Notes 4 and 23)	486,308	1	488,930	1
Other non-current assets	<u>193,029</u>	<u>-</u>	<u>173,582</u>	<u>-</u>
Total non-current assets	<u>39,300,890</u>	<u>63</u>	<u>38,584,418</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 62,682,031</u>	<u>100</u>	<u>\$ 61,523,418</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 28)	\$ 745,940	1	\$ 649,737	1
Short-term bills payable	109,913	-	119,870	-
Notes and accounts payable	2,490,060	4	2,545,342	4
Trade payables to related parties (Note 27)	744,846	1	825,486	1
Other payables (Note 19)	2,758,012	5	2,756,797	5
Current tax liabilities (Notes 4 and 23)	221,593	-	293,807	1
Current portion of long-term borrowings	16,364	-	13,636	-
Other current liabilities (Notes 4, 7, 9 and 27)	<u>608,195</u>	<u>1</u>	<u>652,266</u>	<u>1</u>
Total current liabilities	<u>7,694,923</u>	<u>12</u>	<u>7,856,941</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion	-	-	36,364	-
Deferred tax liabilities (Notes 4 and 23)	124,986	-	132,981	-
Net defined benefit liabilities (Notes 4 and 20)	2,177,664	4	2,085,571	3
Other non-current liabilities	<u>25,247</u>	<u>-</u>	<u>12,391</u>	<u>-</u>
Total non-current liabilities	<u>2,327,897</u>	<u>4</u>	<u>2,267,307</u>	<u>3</u>
Total liabilities	<u>10,022,820</u>	<u>16</u>	<u>10,124,248</u>	<u>16</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 21)</b>				
Ordinary shares	<u>13,840,508</u>	<u>22</u>	<u>13,840,508</u>	<u>23</u>
Capital surplus	<u>6,404,906</u>	<u>10</u>	<u>6,392,369</u>	<u>10</u>
Retained earnings				
Legal reserve	7,851,773	13	7,595,944	12
Special reserve	1,051,673	2	1,057,002	2
Unappropriated earnings	<u>18,896,608</u>	<u>30</u>	<u>17,769,073</u>	<u>29</u>
Total retained earnings	<u>27,800,054</u>	<u>45</u>	<u>26,422,019</u>	<u>43</u>
Other equity				
Exchange differences on translating foreign operations	571,137	1	750,561	1
Unrealized gain on available-for-sale financial assets	897,338	1	1,035,801	2
Total gains on effective portion of cash flow hedges (Note 9)	<u>1,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other equity	<u>1,469,877</u>	<u>2</u>	<u>1,786,362</u>	<u>3</u>
Total equity attributable to owners of the Corporation	49,515,345	79	48,441,258	79
<b>NON-CONTROLLING INTERESTS</b>	<u>3,143,866</u>	<u>5</u>	<u>2,957,912</u>	<u>5</u>
Total equity	<u>52,659,211</u>	<u>84</u>	<u>51,399,170</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 62,682,031</u>	<u>100</u>	<u>\$ 61,523,418</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 28, 2016)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Net sales	\$ 35,526,502	96	\$ 34,767,347	97
Other operating revenue	<u>1,357,945</u>	<u>4</u>	<u>1,184,080</u>	<u>3</u>
Total operating revenue	<u>36,884,447</u>	<u>100</u>	<u>35,951,427</u>	<u>100</u>
OPERATING COSTS (Notes 9, 12, 20, 22 and 27)				
Cost of goods sold	29,290,807	79	29,115,654	81
Other operating cost	<u>890,427</u>	<u>3</u>	<u>782,315</u>	<u>2</u>
Total operating costs	<u>30,181,234</u>	<u>82</u>	<u>29,897,969</u>	<u>83</u>
GROSS PROFIT	6,703,213	18	6,053,458	17
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>9,914</u>	<u>-</u>	<u>8,606</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>6,713,127</u>	<u>18</u>	<u>6,062,064</u>	<u>17</u>
OPERATING EXPENSES (Notes 20, 22 and 27)				
Selling and marketing expenses	948,827	2	760,460	2
General and administrative expenses	1,103,903	3	1,112,327	3
Research and development expenses	<u>2,444,982</u>	<u>7</u>	<u>2,219,343</u>	<u>7</u>
Total operating expenses	<u>4,497,712</u>	<u>12</u>	<u>4,092,130</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>2,215,415</u>	<u>6</u>	<u>1,969,934</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures accounted for using the equity method (Note 4)	1,247,729	3	978,415	3
Interest income (Note 4)	226,357	1	154,425	-
Other income	135,942	-	157,658	1
Gain on disposal of investments (Notes 4 and 13)	93,584	-	76,151	-
Foreign exchange gain	-	-	107,254	-
Gain on financial instruments at fair value through profit or loss (Note 4)	63,237	-	-	-
Interest expense	(17,465)	-	(21,313)	-
Other expense	(24,197)	-	(19,190)	-
Foreign exchange loss	(12,783)	-	-	-

(Continued)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014 (Restated)	
	Amount	%	Amount	%
Loss on financial instruments at fair value through profit or loss (Note 4)	\$ -	-	\$ (34,535)	-
Impairment loss (Notes 4, 13 and 16)	<u>(36,590)</u>	-	<u>(129,130)</u>	-
Total non-operating income and expenses	<u>1,675,814</u>	<u>4</u>	<u>1,269,735</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	3,891,229	10	3,239,669	9
INCOME TAX EXPENSE (Notes 4 and 23)	<u>386,541</u>	<u>1</u>	<u>418,187</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,504,688</u>	<u>9</u>	<u>2,821,482</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(104,683)	-	(24,661)	-
Share of other comprehensive loss of associates	(102,959)	-	(47,198)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	17,796	-	4,216	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	(46,057)	-	66,064	-
Unrealized gain (loss) on available-for-sale financial assets (Note 21)	(53,552)	-	248,114	1
Total gains on effective portion of cash flow hedges (Note 21)	1,689	-	-	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Note 21)	(256,085)	(1)	485,923	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 23)	<u>(287)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(544,138)</u>	<u>(1)</u>	<u>732,458</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,960,550</u>	<u>8</u>	<u>\$ 3,553,940</u>	<u>10</u>

(Continued)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014 (Restated)	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,166,104	9	\$ 2,558,118	7
Non-controlling interests	<u>338,584</u>	<u>1</u>	<u>263,364</u>	<u>1</u>
	<u>\$ 3,504,688</u>	<u>10</u>	<u>\$ 2,821,482</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,667,467	7	\$ 3,223,837	9
Non-controlling interests	<u>293,083</u>	<u>1</u>	<u>330,103</u>	<u>1</u>
	<u>\$ 2,960,550</u>	<u>8</u>	<u>\$ 3,553,940</u>	<u>10</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 2.32</u>		<u>\$ 1.88</u>	
Diluted	<u>\$ 2.32</u>		<u>\$ 1.87</u>	

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

(With Deloitte & Touche audit report dated March 28, 2016)

(Concluded)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Gains on Effective Portion of Cash Flow Hedges			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2014	\$ 13,840,508	\$ 6,376,868	\$ 7,342,756	\$ 1,373,008	\$ 16,800,924	\$ 192,209	\$ 798,854	\$ -	\$ 46,725,127	\$ 2,713,774	\$ 49,438,901
Effect of retrospective application of IAS 19 "Employee Benefits" and retrospective restatement of financial statements	-	-	-	-	(657)	-	-	-	(657)	(663)	(1,320)
BALANCE AT JANUARY 1, 2014 AS RESTATED	13,840,508	6,376,868	7,342,756	1,373,008	16,800,267	192,209	798,854	-	46,724,470	2,713,111	49,437,581
Appropriation of the 2013 earnings											
Legal reserve	-	-	253,188	-	(253,188)	-	-	-	-	-	-
Cash dividends distributed by the Corporation - NT\$1.1 per share	-	-	-	-	(1,522,456)	-	-	-	(1,522,456)	-	(1,522,456)
Reversal of special reserve	-	-	-	(316,006)	316,006	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(85,108)	(85,108)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	15,501	-	-	-	-	-	-	15,501	-	15,501
Acquisition of interests in subsidiaries	-	-	-	-	(94)	-	-	-	(94)	(194)	(288)
Net profit for the year ended December 31, 2014	-	-	-	-	2,558,118	-	-	-	2,558,118	263,364	2,821,482
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(129,580)	558,352	236,947	-	665,719	66,739	732,458
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	2,428,538	558,352	236,947	-	3,223,837	330,103	3,553,940
BALANCE AT DECEMBER 31, 2014 AS RESTATED	13,840,508	6,392,369	7,595,944	1,057,002	17,769,073	750,561	1,035,801	-	48,441,258	2,957,912	51,399,170
Appropriation of the 2014 earnings											
Legal reserve	-	-	255,829	-	(255,829)	-	-	-	-	-	-
Cash dividends distributed by the Corporation - NT\$1.15 per share	-	-	-	-	(1,591,658)	-	-	-	(1,591,658)	-	(1,591,658)
Reversal of special reserve	-	-	-	(5,329)	5,329	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(90,929)	(90,929)
Change in investments in associates and joint ventures accounted for using the equity method	-	12,537	-	-	(14,209)	-	-	-	(1,672)	-	(1,672)
Acquisition of interests in subsidiaries	-	-	-	-	(50)	-	-	-	(50)	(16,200)	(16,250)
Net profit for the year ended December 31, 2015	-	-	-	-	3,166,104	-	-	-	3,166,104	338,584	3,504,688
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(182,152)	(179,424)	(138,463)	1,402	(498,637)	(45,501)	(544,138)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	2,983,952	(179,424)	(138,463)	1,402	2,667,467	293,083	2,960,550
BALANCE AT DECEMBER 31, 2015	\$ 13,840,508	\$ 6,404,906	\$ 7,851,773	\$ 1,051,673	\$ 18,896,608	\$ 571,137	\$ 897,338	\$ 1,402	\$ 49,515,345	\$ 3,143,866	\$ 52,659,211

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

(With Deloitte & Touche audit report dated March 28, 2016)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,891,229	\$ 3,239,669
Adjustments for:		
Depreciation expenses	852,429	727,754
Amortization expenses	105,083	88,082
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	(63,237)	34,535
Interest expense	17,465	21,313
Interest income	(226,357)	(154,425)
Dividend income	(75,780)	(47,546)
Share of profit of associates and joint ventures accounted for by the equity method	(1,247,729)	(978,415)
Net (gain) loss on disposal of property, plant and equipment	(5,308)	11,354
Gain on disposal of investments	(43,758)	(4,862)
Loss on disposal of investments accounted for using the equity method	-	16,279
Impairment loss	36,590	129,130
Realized gain on the transactions with associates	(9,914)	(8,606)
Unrealized net loss (gain) on foreign currency exchange	65,492	(42,757)
Gain on disposal of investments in subsidiaries	-	(4,603)
Changes in operating assets and liabilities		
Financial assets held for trading	353,667	295,858
Notes receivable	88,148	(34,819)
Accounts receivable	(64,454)	90,504
Trade receivables from related parties	(75,817)	71,695
Other receivables	62,608	54,127
Inventories	650,946	47,588
Other current assets	(688,370)	469,056
Notes and accounts payable	(53,244)	(416,547)
Trade payables to related parties	(86,234)	15,764
Other payables	(22,653)	383,375
Other current liabilities	(44,434)	9,660
Net defined benefit liabilities	(12,590)	8,335
Cash generated from operations	3,403,778	4,021,498
Income tax paid	(442,507)	(274,307)
Net cash generated from operating activities	<u>2,961,271</u>	<u>3,747,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in financial assets designated as at fair value through profit or loss upon initial recognition	36	102,000
Decrease (increase) in available-for-sale financial assets	729,337	(189,286)
Acquisition of debt investments with no active market	(909,512)	(980,584)
Proceeds from the repayments of principal of debt investments with no active market	76,387	291,748

(Continued)

# Financial Highlights

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
Acquisition of financial assets measured at cost	\$ (77,708)	\$ (24,769)
Proceeds from the disposal of financial assets measured at cost	162,254	53,361
Proceeds from capital reduction of financial assets at cost	96,771	14,471
Acquisition of investments accounted for using the equity method	(197,393)	(729,750)
Proceeds from the disposal of investments accounted for using the equity method	-	80,948
Proceeds from the disposal of a subsidiary	29	984
Proceeds from capital reduction of investments accounted for using the equity method	280,035	88,900
Acquisition of property, plant and equipment	(950,742)	(1,275,175)
Proceeds from the disposal of property, plant and equipment	57,657	34,317
Acquisition of intangible assets	-	(92,650)
Acquisition of investment properties	-	(686)
Decrease (increase) in other non-current assets	(88,441)	22,923
Interest received	198,516	143,867
Dividends received	<u>840,534</u>	<u>1,061,068</u>
Net cash generated from (used in) investing activities	<u>217,760</u>	<u>(1,398,313)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	97,201	-
Decrease in short-term borrowings	-	(331,393)
Decrease in short-term bills payable	(9,957)	(219,618)
Proceeds from long-term borrowings	-	43,974
Repayments of long-term borrowings	(33,636)	-
Increase in other non-current liabilities	12,856	676
Cash dividends paid	(1,591,658)	(1,522,456)
Acquisition of ownership interests in subsidiaries	(16,250)	(288)
Interest paid	(17,419)	(22,102)
Decrease in non-controlling interests	<u>(90,929)</u>	<u>(85,108)</u>
Net cash used in financing activities	<u>(1,649,792)</u>	<u>(2,136,315)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(23,028)</u>	<u>51,768</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,506,211	264,331
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>11,211,609</u>	<u>10,947,278</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 12,717,820</u>	<u>\$ 11,211,609</u>

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

(With Deloitte & Touche audit report dated March 28, 2016)

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 1. GENERAL INFORMATION

China Motor Corporation (the “Corporation”) manufactures and sells cars and related parts. Its stock is listed on the Taiwan Stock Exchange.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 28, 2016.

#### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, stipulated that the Corporation and its subsidiaries (collectively the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group’s accounting policies:

- 1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 26 for related disclosures.

- 2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

# Financial Highlights

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of the comprehensive income of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

### 3) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to defined benefit liabilities, retained earnings, non-controlling interests, operating expenses, remeasurement of defined benefit plans, and diluted earnings per share, the carrying amount of inventories is not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group elects not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact in the year of 2014 is set out below:

	<b>Restated</b>	<b>December 31, 2014</b>	<b>January 1, 2014</b>
Defined benefit liabilities		\$ 1,410	\$ 1,320
Retained earnings		(702)	(657)
Non-controlling interests		(708)	(663)
Operating expenses		230	-
Remeasurement of defined benefit plans		140	-
Diluted earnings per share		(0.01)	-

### b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

# Financial Highlights

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

# Financial Highlights

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

## IFRS 9 "Financial Instruments"

### 1) Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

### 2) The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

# Financial Highlights

## 3) Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months from the balance sheet date; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

# Financial Highlights

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

## d. Basis of consolidation

### 1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the Non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2) Entities included in consolidated financial statements

Investor	Investee	Main Business	Combined Shareholding Ratio		Note
			2015	2014	
China-Motor Corporation	Kian Shen Corporation ("Kian Shen")	The production of frame of heavy duty car and mold	43.87	43.87	a)
	CMC Investment Co., Ltd. ("CMC Investment")	Investment of production and service industries	100.00	100.00	

(Continued)

# Financial Highlights

Investor	Investee	Main Business	Combined Shareholding Ratio		Note
			December 31		
			2015	2014	
	Hwa Wei Holdings Corporation Ltd. (“Hwa Wei Holdings”)	Overseas investment of production and service industries	100.00	100.00	g)
	China Engine Corporation (“China Engine”)	Manufacture of automobile engine and parts	52.11	52.11	
	Sino Diamond Motors Corporation (“Sino Diamond Motors”)	Sales and providing after sales service of vehicle	100.00	100.00	
	Hwa Hann Corporation (“Hwa Hann”)	Sales of automobile parts	99.99	99.99	d)
	Alliance Investment & Management Co., Ltd. (“Alliance Investment & Management”)	Investment	100.00	100.00	
	Gatetech Technology Inc. (“Gatetech Technology”)	Aluminum-magnesium alloy casting industry	72.81	72.81	
	China Motor Investment Co., Ltd. (CMI)	Investment	100.00	100.00	
	Hwa Chung Motors Corporation (“Hwa Chung Motors”)	Sales of vehicle and parts	100.00	100.00	
	COC Tooling & Stamping Co., Ltd. (COC)	Production of mold, fixture and gauge of vehicle.	49.76	49.76	b)
Kian Shen	Kian Shen Investment Co., Ltd. (“Kian Shen Investment”)	Overseas investment of production and service industries	43.87	43.87	a)
China Engine	Advance Power Machinery Co., Ltd. (“Advance Power Machinery”)	Manufacture of automobile engine and parts	52.11	52.11	
	Advance Power Investment Co., Ltd. (“Advance Power Investment”)	Investment and sales	52.11	52.11	
Sino Diamond Motors	Hwa-Yu Corporation Ltd. (“Hwa-Yu”)	Overseas investment of production and service industries	100.00	100.00	
	Brilliant Insight International Consultancy Service Co., Ltd. (“Brilliant Insight International”)	Consulting and service	100.00	100.00	
Gatetech Technology	Gatetech Holding Co., Ltd. (GH)	Investment	72.81	72.81	
Alliance Investment & Management	Greentrans Investment Co., Ltd. (“Greentrans Investment”)	Investment	100.00	100.00	
Hwa Chung Motors	Greentrans Corporation (“Greentrans”)	Sales of motorcycle and parts	100.00	100.00	
	Ling Wei Motor Co., Ltd. (“Ling Wei”)	Sales of second-hand vehicle	100.00	100.00	
COC	Y. M. Hi-Tech Industry Ltd. (“Y. M. Hi-Tech”)	Steel cutting	42.30	29.86	b) and f)
	Shye Shinn Corporation (“Shye Shinn”)	Investment	49.76	49.76	b)
Kian Shen Investment	Kian Shen Investment Hong Kong Co., Limited (KSIHK)	Investment	43.87	43.87	a)
Hwa-Yu	Hwa-Lin Investments Ltd. (“Hwa-Lin”)	Overseas investment of production and service industries	100.00	100.00	
	Beijing Jun Hua Information Co., Ltd. (“Beijing Jun Hua”)	Consulting and services	-	100.00	e)
	Fujian Rui Hua Consulting Co., Ltd. (“Fujian Rui Hua”)	Consulting and services	100.00	100.00	
GH	Gatetech International Co., Ltd. (GI)	Investment	72.81	72.81	
Greentrans Investment	Jiangsu Greentrans Automotive Parts Co., Ltd. (“Jiangsu Greentrans”)	Production and sales of parts of electronic motorcycle	100.00	100.00	
Shye Shinn	Zhengzhou Tooling & Stamping Co., Ltd. (“Zhengzhou Tooling & Stamping”)	Production of mold, fixture and gauge of vehicle.	29.86	29.86	b)
GI	Gatetech (Suchou) Technology Co., Ltd (“Gatetech Suchou Technology”)	Aluminum-magnesium alloy casting industry	72.81	72.81	
Hwa-Lin	Dongguan Huayi Motor Maintenance Co., Ltd. (“Dongguan Huayi”)	Maintenance and supplementary services of vehicle, and sales of vehicle and parts	100.00	100.00	
	Tianjin Hwarui Maintenance Co., Ltd. (“Tianjin Hwarui”)	Maintenance and supplementary services of vehicle	100.00	100.00	
	Sichuan Huafeng Hanwei Cars Service and Maintenance Co., Ltd. (“Sichuan Huafeng Hanwei”)	Maintenance and supplementary services of vehicle, and sales of vehicle and parts	100.00	100.00	
	Guangzhou Huayou Motor Maintenance Co., Ltd. (“Guangzhou Huayou Motor Maintenance”)	Maintenance and supplementary services of vehicle	100.00	100.00	
Dongguan Huayi	Yangjiang Huaching Motor Co., Ltd. (“Yangjiang Huaching”)	Sales and providing after sales service of vehicle	-	-	c)
	Dongguan Huashun Motor Sales Co., Ltd. (“Dongguan Huashun”)	Sales and providing after sales service of vehicle	100.00	100.00	
Tianjin Hwarui	Tianjin Hwahong Sales Co., Ltd. (“Tianjin Hwahong”)	Sales and providing after sales service of vehicle	100.00	100.00	
Sichuan Huafeng Hanwei	Sichuan Houwei Cars Service and Maintenance Co., Ltd. (“Sichuan Houwei”)	Sales and providing after sales service of vehicle	100.00	100.00	
	Sichuan Lingwei Cars Service and Maintenance Co., Ltd. (“Sichuan Lingwei”)	Sales and providing after sales service of vehicle	100.00	100.00	
Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales Co., Ltd. (“Guangzhou Huayou Motor Sales”)	Sales and providing after sales service of vehicle	100.00	100.00	

(Concluded)

# Financial Highlights

Notes:

- a) The Group's equity in Kian Shen was 43.87%. Kian Shen is a listed company, and 56.13% of Kian Shen's shares were held by numerous shareholders unrelated to the Group. Considering the Group's substantial influence on Kian Shen in terms of having an absolute number of voting rights and the relative size of the other shareholdings, Kian Shen was deemed a subsidiary.
- b) The Group's equity in COC was 49.76%. However, the parent company controls more than half of the members of the board and holds a significant number of COC's shares; thus, COC was considered a subsidiary.
- c) The Group invested in Yangjiang Huaching through a third party, but it has control and takes the risk. Thus, Yangjiang's financial statements were included in the consolidated financial statements. In June 2014, the Group disposed of Yangjiang, whose income and expense before disposal were included in the consolidated financial statements for the year ended December 31, 2014.
- d) In April 2009, the board of Hwa Hann decided to dissolve this subsidiary; as of December 31, 2015, the liquidation had not been completed.
- e) In October 2014, the board of Beijing Jun Hua decided to dissolve the Company; the liquidation was completed in November 2015, and its income and expense before liquidation were included in the consolidated financial statements for the year ended December 31, 2015.
- f) COC used to hold 60% of Y.M. Hi-Tech's shares. When COC increased 25% of its holdings in Y.M. Hi-Tech in March 2015, the ratio of COC's ownership of Y.M. Hi-Tech changed.
- g) Hwa Wei Holdings ("Hwa Wei") raised its capital in April 2015 through the issuance of new shares for cash, which were all acquired for \$228,503 thousand by CMI. This capital increase between Hwa Wei and CMI is an intra-Group share transaction, for which the Group's combined shareholding ratio did not change. Hwa Wei also issued shares as repayment of its debt of \$1,200,000 thousand to CMI.

For the relationship between the Corporation and its controlled entities as of December 31, 2015, please refer to Attachment 10.

## e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

# Financial Highlights

## f. Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period in which these differences arise, but if a gain or loss on a nonmonetary item is recognized in other comprehensive income, any foreign exchange component of this gain or loss is also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries, associates and joint ventures in country or with currency different from that of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting year. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

## g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

## h. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

# Financial Highlights

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group. The Group's equity in the investees' net income or net loss is calculated using the treasury stock method when investees also have investments in the Group (reciprocal holding).

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When an entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and the joint venture that are not related to the Group.

# Financial Highlights

## i. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation expenses, except those for molds (included in machinery) which are amortized using the production unit method, are computed using the straight-line method over service lives. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## k. Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if all of the following have been demonstrated:

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) The intention to complete the intangible asset and use or sell it;
- 3) The ability to use or sell the intangible asset;
- 4) How the intangible asset will generate probable future economic benefits;
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured at cost less accumulated amortization and accumulated impairment loss.

# Financial Highlights

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

## l. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## m. Financial instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

##### i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

# Financial Highlights

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 26.

## ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

## iii. Loans and receivables

Loans and receivables (including cash and cash equivalent, trade receivables and accounts receivable (including related parties), other receivables, debt investments with no active market, other financial assets (included in other current assets) and guarantee deposits paid (included in other non-current assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

# Financial Highlights

## b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

# Financial Highlights

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

## c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

## 2) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward foreign exchange contracts, convertible bonds, convertible preference shares and foreign exchange rate swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

## n. Hedge accounting

The Group designates certain hedging instruments for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

# Financial Highlights

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## o. Provisions

Provisions, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

## p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

### 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 2) Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

### 3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

# Financial Highlights

## 4) Dividend and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

## r. Employee benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

## s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### 1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

# Financial Highlights

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

### a. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

# Financial Highlights

## b. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines whether to engage third party qualified valuers and determines the appropriate valuation techniques for fair value measurements in accordance relevant regulations and judgement.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities and specific features of the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 17 and 26.

## c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

## d. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

## e. Useful lives of property, plant and equipment

The Group reviews the estimated useful lives, the depreciation method and the residual value of property, plant and equipment at each balance sheet date. Significant changes in depreciation methods influence the recognition of related depreciation expenses.

## f. Impairment of investment in the associate

The Group immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

# Financial Highlights

g. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

h. Impairment of tangible and intangible assets (excluding goodwill)

The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including the assumptions about the growth rate of sale and capacity of production facilities estimated by the associate's management, etc. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

i. Control over subsidiaries

The Group has less than 50% equity interests in several investees. After considering the Group's absolute size of holding in the companies and the relative size of and dispersion of the shareholdings owned by the other shareholders, and the contractual arrangements between the Group and other investors, and potential voting interests, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of the companies and therefore the Group has control over the companies.

j. Significant influence over associates

The Group has less than 20% of the voting power of several companies. However, the Group has significant influence over these companies by virtue of the right to appoint the directors to the board of directors of these companies.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Cash		
Cash on hand	\$ 7,308	\$ 9,597
Checking accounts and demand deposits	<u>1,567,059</u>	<u>1,073,575</u>
	<u>1,574,367</u>	<u>1,083,172</u>
Cash equivalents		
Time deposits	9,401,422	7,370,496
Repurchase agreements collateralized by bonds	<u>1,742,031</u>	<u>2,757,941</u>
	<u>11,143,453</u>	<u>10,128,437</u>
	<u>\$ 12,717,820</u>	<u>\$ 11,211,609</u>

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and repurchase agreements collateralized by bonds that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

# Financial Highlights

The interest rate intervals of cash on bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Checking accounts and demand deposits	0.00%-0.50%	0.00%-0.66%
Time deposits	0.50%-4.30%	0.65%-4.00%
Repurchase agreements collateralized by bonds	0.40%-0.42%	0.58%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets - current</u>		
Financial assets designated as at FVTPL		
Convertible bonds	\$ 61,103	\$ 59,700
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	275,540	280,435
Domestic listed shares	<u>2,420</u>	<u>290,952</u>
	<u>277,960</u>	<u>571,387</u>
Derivative financial assets		
Preferred stock options	<u>1,913</u>	<u>56</u>
	<u>\$ 340,976</u>	<u>\$ 631,143</u>
<u>Financial liabilities - current (included in other current liabilities)</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Forward foreign exchange contracts	<u>\$ 299</u>	<u>\$ -</u>

At the end of the reporting period, outstanding forward foreign exchange contracts not under hedge accounting were as follows:

### December 31, 2015

Notional Amounts	Maturity Date	Exchange Rate-buy	Exchange Rate-sell
EUR 1,672	2016.06.23	1.0865 (EUR:USD)	1.0922 (EUR:USD)

The Group entered into forward foreign exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

# Financial Highlights

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Domestic investments		
Mutual funds	\$ 734,854	\$ 1,446,286
Listed shares	<u>30,137</u>	<u>110,666</u>
	<u>\$ 764,991</u>	<u>\$ 1,556,952</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	\$ 844,733	\$ 812,718
Listed shares	<u>27,617</u>	<u>50,560</u>
	<u>\$ 872,350</u>	<u>\$ 863,278</u>

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGING

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Derivative financial assets under hedge accounting - current (included in other current assets)</u>		
Forward foreign exchange contracts	<u>\$ 1,916</u>	<u>\$ -</u>
<u>Derivative financial liabilities under hedge accounting - current (included in other current liabilities)</u>		
Forward foreign exchange contracts	<u>\$ 227</u>	<u>\$ -</u>

The Group's hedge strategy is to enter forward foreign exchange contracts to avoid its foreign currency exposure in relation to Japanese yen (JPY) forecast purchases in the future. When forecast purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

At the end of the reporting period, outstanding forward foreign exchange contracts were as follows:

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2015</u>			
Buy	JPY/NTD	2016.01.29-2016.03.04	JPY700,000/NTD189,930

Spot contracts amounting to \$795 thousand and used from January 1, 2015 to December 31, 2015 and forward exchange contracts amounting to \$30,696 thousand were used as hedging instruments. These contracts were reclassified from equity to cost of goods sold.

# Financial Highlights

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 161,502	\$ 249,665
Less: Allowance for impairment loss	<u>(1,156)</u>	<u>(1,171)</u>
	<u>\$ 160,346</u>	<u>\$ 248,494</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 997,786	\$ 950,129
Less: Allowance for impairment loss	<u>(6,648)</u>	<u>(15,313)</u>
	<u>\$ 991,138</u>	<u>\$ 934,816</u>

In determining the recoverability of notes receivable and accounts receivable, the Group considered any change in the credit quality of the notes receivable and accounts receivable since the date credit was initially granted to the end of the reporting period. Due to insignificant risks on the recoverability of the Group's notes receivable and accounts receivable historically, allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the notes receivable and accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
0 day	\$ 1,060,344	\$ 990,673
1-60 days	26,105	69,044
61-90 days	58,255	21,659
More than 90 days	<u>14,584</u>	<u>118,418</u>
	<u>\$ 1,159,288</u>	<u>\$ 1,199,794</u>

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired was as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
1-60 days	\$ -	\$ 18,621
61-90 days	-	281
More than 90 days	<u>14,332</u>	<u>122</u>
	<u>\$ 14,332</u>	<u>\$ 19,024</u>

# Financial Highlights

The above aging schedule was based on the past due date.

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2014	\$ 3,284	\$ 7,855	\$ 11,139
Add: Impairment losses recognized on receivables	7,795	1,515	9,310
Deduct: Amounts written off during the year as uncollectible	(275)	-	(275)
Deduct: Impairment losses reversed	(2,439)	(1,267)	(3,706)
Foreign exchange translation gains and losses	<u>15</u>	<u>1</u>	<u>16</u>
Balance at December 31, 2014	<u>\$ 8,380</u>	<u>\$ 8,104</u>	<u>\$ 16,484</u>
Balance at January 1, 2015	\$ 8,380	\$ 8,104	\$ 16,484
Add: Impairment losses recognized on receivables	-	115	115
Deduct: Amounts written off during the year as uncollectible	(7,137)	-	(7,137)
Less: Impairment losses reversed	(1,032)	(622)	(1,654)
Foreign exchange translation gains and losses	<u>(3)</u>	<u>(1)</u>	<u>(4)</u>
Balance at December 31, 2015	<u>\$ 208</u>	<u>\$ 7,596</u>	<u>\$ 7,804</u>

## 11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had a 43.87% interest in Kian Shen as of December 31, 2015 and 2014. The remaining 56.13% interest in Kian Shen is dispersed and held by shareholders unrelated to the Group.

See Table 7 for the information on place of incorporation and principal place of business.

The summarized financial information below represents amounts before intragroup eliminations.

Kian Shen and Kian Shen's subsidiaries:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current assets	\$ 850,583	\$ 703,685
Non-current assets	3,336,687	3,114,874
Current liabilities	(543,164)	(461,493)
Non-current liabilities	<u>(257,052)</u>	<u>(251,746)</u>
Equity	<u>\$ 3,387,054</u>	<u>\$ 3,105,320</u>
Equity attributable to:		
Owners of Kian Shen	\$ 1,485,900	\$ 1,362,304
Non-controlling interests of Kian Shen	<u>1,901,154</u>	<u>1,743,016</u>
	<u>\$ 3,387,054</u>	<u>\$ 3,105,320</u>

# Financial Highlights

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Revenue	<u>\$ 1,201,629</u>	<u>\$ 1,185,714</u>
Profit for the year	\$ 437,216	\$ 319,590
Other comprehensive income for the year	<u>(58,539)</u>	<u>98,779</u>
Total comprehensive income for the year	<u>\$ 378,677</u>	<u>\$ 418,369</u>
Profit attributable to:		
Owners of Kian Shen	\$ 191,807	\$ 140,204
Non-controlling interests of Kian Shen	<u>245,409</u>	<u>179,386</u>
	<u>\$ 437,216</u>	<u>\$ 319,590</u>
Total comprehensive income attributable to:		
Owners of Kian Shen	\$ 166,126	\$ 183,538
Non-controlling interests of Kian Shen	<u>212,551</u>	<u>234,831</u>
	<u>\$ 378,677</u>	<u>\$ 418,369</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 56,215	\$ 91,956
Investing activities	(48,261)	(19,957)
Financing activities	(26,593)	(60,793)
Foreign exchange adjustments	<u>(16)</u>	<u>3,074</u>
Net cash inflow (outflow)	<u>\$ (18,655)</u>	<u>\$ 14,280</u>
Dividends paid to non-controlling interests of Kian Shen	<u>\$ 54,413</u>	<u>\$ 62,187</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Merchandise	\$ 457,579	\$ 557,274
Finished goods	1,903,492	2,264,998
Work in progress	406,318	471,123
Raw materials	1,741,823	1,875,421
Materials in transit	<u>534,747</u>	<u>535,735</u>
	<u>\$ 5,043,959</u>	<u>\$ 5,704,551</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 were \$29,290,807 thousand and \$29,115,654 thousand, respectively. The cost of inventories recognized as cost of goods sold during the years ended December 31, 2015 and 2014 included the reversal of inventories write-downs of \$14,552 thousand and \$25,925 thousand, respectively. Previous write-downs were reversed as a result of disposal of obsolete inventories.

# Financial Highlights

## 13. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
<u>Non-current</u>		
Overseas unlisted common shares	\$ 171,231	\$ 125,916
Domestic unlisted common shares	122,536	341,028
Overseas unlisted preference shares	<u>-</u>	<u>1,281</u>
	<u>\$ 293,767</u>	<u>\$ 468,225</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 293,767</u>	<u>\$ 468,225</u>

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

The Group disposed of certain financial assets measured at cost with carrying amounts of \$118,496 thousand and \$48,499 thousand during 2015 and 2014, respectively, recognizing disposal benefit of \$43,758 thousand and \$4,862 thousand respectively.

The Group evaluated the invested corporations by future cash flows and market rate of return and recognized impairment loss \$36,590 thousand and \$114,717 thousand during 2015 and 2014, respectively.

## 14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Bonds	\$ 1,826,471	\$ 1,025,842
Preferred stocks	<u>303,508</u>	<u>290,276</u>
	<u>\$ 2,129,979</u>	<u>\$ 1,316,118</u>

The range of bonds' coupon rate was 2.90%-5.88% per annum as of both December 31, 2015 and 2014. The range of preferred stocks' coupon rate was 1.50%-3.25% and 3.25% per annum respectively as of December 31, 2015 and 2014.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Investments in associates	\$ 21,026,869	\$ 21,002,114
Investments in joint ventures	<u>6,118,470</u>	<u>6,093,723</u>
	<u>\$ 27,145,339</u>	<u>\$ 27,095,837</u>

# Financial Highlights

## a. Investments in associates

Associate	December 31	
	2015	2014
Material associates		
Yulon	\$ 11,555,961	\$ 11,341,031
Associates that are not individually material	<u>9,470,908</u>	<u>9,661,083</u>
	<u>\$ 21,026,869</u>	<u>\$ 21,002,114</u>

### 1) Material associates

The Group had a 16.67% interest in Yulon as of December 31, 2015 and 2014, respectively. Nevertheless, the Group had significant influence on Yulon and thus subjected Yulon to the equity method of accounting because the Company and Yulon have the same president of the board even though the Group held less than 20% interest in Yulon.

Refer to Table 7 for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized on the basis of the associates' audited financial statements.

Fair value (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associate	December 31	
	2015	2014
Yulon	<u>\$ 7,919,291</u>	<u>\$ 12,193,610</u>

All the associates are accounted for using the equity method.

The summarized financial information below represents amounts shown in Yulon's financial statements, of which cross-shareholdings and unrealized gain on sidestream transactions were adjusted by the Group in accordance with IFRSs for equity accounting purposes.

### Yulon

	December 31	
	2015	2014
Current assets	\$ 122,157,795	\$ 108,805,788
Non-current assets	89,844,295	94,036,899
Current liabilities	(118,623,293)	(112,688,582)
Non-current liabilities	<u>(12,197,154)</u>	<u>(10,005,385)</u>
Equity	81,181,643	80,148,720
Non-controlling interests	<u>(9,703,719)</u>	<u>(10,147,699)</u>
	<u>\$ 71,477,924</u>	<u>\$ 70,001,021</u>
Proportion of the Group's ownership	16.67%	16.67%

(Continued)

# Financial Highlights

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Equity attributable to the Group	\$ 11,915,370	\$ 11,669,170
Cross shareholdings	(356,124)	(324,854)
Unrealized gain on sidestream transactions	<u>(3,285)</u>	<u>(3,285)</u>
Carrying amount	<u>\$ 11,555,961</u>	<u>\$ 11,341,031</u> (Concluded)
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 122,525,821</u>	<u>\$ 120,610,516</u>
Net profit for the year	\$ 3,919,292	\$ 2,809,406
Other comprehensive income	<u>(907,689)</u>	<u>1,530,098</u>
Total comprehensive income for the year	<u>\$ 3,011,603</u>	<u>\$ 4,339,504</u>
Dividends received from Yulon	<u>\$ 183,560</u>	<u>\$ 183,560</u>

2) Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	<b>2015</b>	<b>2014</b>
The Group's share of:		
Net profit for the year	\$ 635,529	\$ 683,586
Other comprehensive income	<u>(129,436)</u>	<u>41,117</u>
Total comprehensive income for the year	<u>\$ 506,093</u>	<u>\$ 724,703</u>

Above associates are accounted for using the equity method.

Investments in associates that are not individually material were accounted for using the equity method although the Group had less than 20% interest because the Group exercised significant influence on their major transactions or had the same president of the board.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on the associates' financial statements that have been audited.

b. Investments in joint ventures

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Joint ventures that are not individually material	<u>\$ 6,118,470</u>	<u>\$ 6,093,723</u>

# Financial Highlights

Aggregate information of joint ventures that are not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
The Group's share of:		
Net profit (loss) of the year	\$ 87,742	\$ (43,904)
Other comprehensive income	<u>(105,574)</u>	<u>147,967</u>
 Total comprehensive income for the year	 <u>\$ (17,832)</u>	 <u>\$ 104,063</u>

All the joint ventures are accounted for using the equity method.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on the joint ventures' financial statements that have been audited.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvement	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 2,124,779	\$ 104,130	\$ 4,616,069	\$ 24,037,795	\$ 1,679,440	\$ 664,576	\$ 33,226,789
Additions	-	222	21,378	51,935	102,943	1,098,697	1,275,175
Disposals	-	-	(229)	(688,797)	(94,563)	(1,956)	(785,545)
Reclassification	350	805	124,686	853,781	34,460	(1,016,375)	(2,293)
Effect of foreign currency exchange differences	-	-	37,799	(7,190)	64,239	4,301	99,149
Balance at December 31, 2014	<u>\$ 2,125,129</u>	<u>\$ 105,157</u>	<u>\$ 4,799,703</u>	<u>\$ 24,247,524</u>	<u>\$ 1,786,519</u>	<u>\$ 749,243</u>	<u>\$ 33,813,275</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014		\$ 92,178	\$ 3,330,214	\$ 22,450,567	\$ 1,401,242	\$ -	\$ 27,274,201
Disposals		-	(182)	(675,119)	(64,172)	-	(739,473)
Depreciation expense and impairment losses		2,704	120,951	512,078	88,517	-	724,250
Effect of foreign currency exchange differences		-	10,688	48,674	4,203	-	63,565
Balance at December 31, 2014		<u>\$ 94,882</u>	<u>\$ 3,461,671</u>	<u>\$ 22,336,200</u>	<u>\$ 1,429,790</u>	<u>\$ -</u>	<u>\$ 27,322,543</u>
Carrying amounts at December 31, 2014	<u>\$ 2,125,129</u>	<u>\$ 10,275</u>	<u>\$ 1,338,032</u>	<u>\$ 1,911,324</u>	<u>\$ 356,729</u>	<u>\$ 749,243</u>	<u>\$ 6,490,732</u>
<u>Cost</u>							
Balance at January 1, 2015	\$ 2,125,129	\$ 105,157	\$ 4,799,703	\$ 24,247,524	\$ 1,786,519	\$ 749,243	\$ 33,813,275
Additions	-	-	3,349	12,686	36,418	898,289	950,742
Disposals	-	-	-	(394,700)	(99,770)	-	(494,470)
Reclassification	-	10,050	122,100	885,088	42,385	(1,065,960)	(6,337)
Effect of foreign currency exchange differences	-	1	(11,104)	(23,144)	2,072	(1,205)	(33,380)
Balance at December 31, 2015	<u>\$ 2,125,129</u>	<u>\$ 115,208</u>	<u>\$ 4,914,048</u>	<u>\$ 24,727,454</u>	<u>\$ 1,767,624</u>	<u>\$ 580,367</u>	<u>\$ 34,229,830</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015		\$ 94,882	\$ 3,461,671	\$ 22,336,200	\$ 1,429,790	\$ -	\$ 27,322,543
Disposals		-	-	(391,667)	(50,454)	-	(442,121)
Depreciation expense and impairment losses		2,563	135,347	622,477	76,540	-	836,927
Reclassification		235	(3,983)	(21,316)	21,316	-	(3,748)
Effect of foreign currency exchange differences		-	(2,732)	(27,198)	3,036	-	(26,894)
Balance at December 31, 2015		<u>\$ 97,680</u>	<u>\$ 3,590,303</u>	<u>\$ 22,518,496</u>	<u>\$ 1,480,228</u>	<u>\$ -</u>	<u>\$ 27,686,707</u>
Carrying amounts at December 31, 2015	<u>\$ 2,125,129</u>	<u>\$ 17,528</u>	<u>\$ 1,323,745</u>	<u>\$ 2,208,958</u>	<u>\$ 287,396</u>	<u>\$ 580,367</u>	<u>\$ 6,543,123</u>

# Financial Highlights

The estimated future cash flows expected to arise from the related machinery were decreased, since several types of vehicle went out of production. Thus, the Group recognized impairment loss of \$11,820 thousand in 2014.

Except for tooling (included in machinery) depreciated on an expected production quantity basis, the above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Category	
Land improvement	3-20 years
Buildings	2-60 years
Machinery	2-24 years
Other equipment	2-17 years

For the amounts of collaterals pledged for bank borrowings, please refer to Note 28.

## 17. INVESTMENT PROPERTIES

### Cost

Balance at January 1, 2014	\$ 1,815,861
Additions	<u>686</u>

Balance at December 31, 2014	<u>\$ 1,816,547</u>
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### Accumulated depreciation and impairment

Balance at January 1, 2014	\$ 359,366
Depreciation expense	<u>15,324</u>

Balance at December 31, 2014	<u>\$ 374,690</u>
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Carrying amounts at December 31, 2014	<u>\$ 1,441,857</u>
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### Cost

Balance at January 1, 2015	\$ 1,816,547
Reclassification	<u>6,337</u>

Balance at December 31, 2015	<u>\$ 1,822,884</u>
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### Accumulated depreciation and impairment

Balance at January 1, 2015	\$ 374,690
Reclassification	3,748
Depreciation expense	<u>15,502</u>

Balance at December 31, 2015	<u>\$ 393,940</u>
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Carrying amounts at December 31, 2015	<u>\$ 1,428,944</u>
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The investment properties held by the Group were depreciated over their estimated 10-60 years useful lives, using the straight-line method.

# Financial Highlights

The fair value of investment properties of the Group were \$2,342,650 thousand and \$2,407,586 thousand as of December 31, 2015 and 2014, respectively. Except for a part of investment properties appraised by the independent valuer, Po Hung Chen, as of December 31, 2015 and 2014, others as of December 31, 2015 and 2014 were appraised by the management using evaluation model which the market participants frequently used. The valuer's valuation was reference to similar properties' marker transaction and the valuer used weighted analysis of cost and revenue method (assuming discount rate is 3.18% and 3.22% and capitalization rate is both 2.24% as of December 31, 2015 and 2014, respectively).

For the amount of investment properties pledged as deposits for certain projects, please refer to Note 28.

## 18. SHORT-TERM BORROWINGS

	December 31	
	2015	2014
Line of credit borrowings	\$ 380,940	\$ 139,737
Bank loans	<u>365,000</u>	<u>510,000</u>
	<u>\$ 745,940</u>	<u>\$ 649,737</u>

- The range of interest rate on credit borrowings was 1.10%-4.35% and 1.20%-2.27% per annum as of December 31, 2015 and 2014, respectively.
- The range of interest rate on bank loans was 1.30%-1.68% and 1.14%-1.86% per annum as of December 31, 2015 and 2014, respectively.

## 19. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries or bonus	\$ 1,212,217	\$ 1,150,133
Payable for taxes	179,538	168,539
Payable for warranties	138,627	115,128
Payable for development costs	136,196	158,976
Payable for royalties	13,032	172,292
Others	<u>1,078,402</u>	<u>991,729</u>
	<u>\$ 2,758,012</u>	<u>\$ 2,756,797</u>

## 20. RETIREMENT BENEFIT PLANS

- Defined contribution plans

The Corporation and Kian Shen, China Engine, Advance Power Machinery, Sino Diamond Motors, Brilliant Insight International, COC, Y.M. Hi-Tech, Gatetech Technology and Ling Wei of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs per month to the retirement benefit scheme to fund the benefits.

# Financial Highlights

## b. Defined benefit plans

The defined benefit plan adopted by the Corporation and Kian Shen, China Engine, Sino Diamond Motors, COC, Y.M. Hi-Tech and Gatetech Technology of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Present value of defined benefit obligation	\$ 2,312,467	\$ 2,232,927
Fair value of plan assets	<u>(134,803)</u>	<u>(147,356)</u>
Net defined benefit liability	<u>\$ 2,177,664</u>	<u>\$ 2,085,571</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2014	\$ 2,194,583	\$ (142,008)	\$ 2,052,575
Service cost			
Current service cost	50,941	-	50,941
Past service cost	206	-	206
Net interest expense (income)	<u>40,935</u>	<u>(2,810)</u>	<u>38,125</u>
Recognized in loss (profit)	<u>92,082</u>	<u>(2,810)</u>	<u>89,272</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(401)	(401)
Actuarial loss - changes in demographic assumptions	2,782	-	2,782
Actuarial gain - changes in financial assumptions	(969)	-	(969)
Actuarial loss - experience adjustments	<u>23,249</u>	<u>-</u>	<u>23,249</u>
Recognized in other comprehensive income	<u>25,062</u>	<u>(401)</u>	<u>24,661</u>
Contributions from the employer	-	(34,382)	(34,382)
Benefits paid	(32,245)	32,245	-
Company paid	<u>(46,555)</u>	<u>-</u>	<u>(46,555)</u>
Balance at December 31, 2014	<u>2,232,927</u>	<u>(147,356)</u>	<u>2,085,571</u>

(Continued)

# Financial Highlights

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Service cost			
Current service cost	\$ 49,351	\$ -	\$ 49,351
Past service cost	18,570	-	18,570
Net interest expense (income)	<u>41,882</u>	<u>(3,090)</u>	<u>38,792</u>
Recognized in loss (profit)	<u>109,803</u>	<u>(3,090)</u>	<u>106,713</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(553)	(553)
Actuarial loss - changes in demographic assumptions	13,584	-	13,584
Actuarial loss - changes in financial assumptions	69,277	-	69,277
Actuarial loss - experience adjustments	<u>22,375</u>	<u>-</u>	<u>22,375</u>
Recognized in other comprehensive income	<u>105,236</u>	<u>(553)</u>	<u>104,683</u>
Contributions from the employer	-	(34,287)	(34,287)
Benefits paid	(50,483)	50,483	-
Company paid	<u>(85,016)</u>	<u>-</u>	<u>(85,016)</u>
Balance at December 31, 2015	<u>\$ 2,312,467</u>	<u>\$ (134,803)</u>	<u>\$ 2,177,664</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2015</b>	<b>2014</b>
Operating costs	\$ 61,635	\$ 50,991
Selling and marketing expenses	4,009	3,103
General and administrative expenses	8,478	8,782
Research and development expenses	<u>30,822</u>	<u>24,893</u>
	<u>\$ 104,944</u>	<u>\$ 87,769</u>

The amount of disbursement of defined benefit plans of associates is \$1,769 thousand and \$1,503 thousand in 2015 and 2014, respectively.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

# Financial Highlights

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2015	2014
Discount rate	1.375%-1.75%	1.75%-2.00%
Expected rate of salary increase	1.00%-2.50%	1.00%-2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2015</u>
Discount rate	
0.25% increase	<u>\$ (68,598)</u>
0.25% decrease	<u>\$ 71,510</u>
Expected rate of salary increase	
0.25% increase	<u>\$ 70,577</u>
0.25% decrease	<u>\$ (68,023)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 1,044,269</u>	<u>\$ 34,399</u>
The average duration of the defined benefit obligation	9.4-19 years	9.9-19 years

## 21. EQUITY

- a. Common shares

	<u>December 31</u>	
	2015	2014
Numbers of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Amount of shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,384,051</u>	<u>1,384,051</u>
Shares issued	<u>\$ 13,840,508</u>	<u>\$ 13,840,508</u>

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

# Financial Highlights

## b. Capital surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>		
Arising from conversion of bonds	\$ 5,183,923	\$ 5,183,923
Arising from issuance of common shares	1,184,920	1,184,920
Others	4,666	4,666
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (Note 2)	2,225	2,225
Arising from share of changes in capital surplus of associates	<u>29,172</u>	<u>16,635</u>
	<u>\$ 6,404,906</u>	<u>\$ 6,392,369</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Note 2: Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

## c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that legal reserve should be appropriated at 10% of annual net income less any accumulated deficit. The remaining net income should be appropriated as follows:

- 1) 0.5% as remuneration of directors and supervisors except independent directors;
- 2) 0.1% to 5% as employees' bonus in the form of cash or stock. The Company may issue stock bonuses to the employees of an affiliated company under conditions set by the board of directors;
- 3) The remainder plus undistributed earnings from prior years, to be distributed as dividends as recommended by the board of directors and approved by the stockholders in their meeting.

The operating of the Corporation is considered as a mature and steady industry. In determining dividend amounts, the Corporation takes its future capital expenditures and related factors into account and also seeks to uphold the stockholders' interests and realize the Corporation's long-term financial plan. Dividends are in the form of cash or stock. The Company's policy is that cash dividends should be at least 20% of total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors in December 2015 and are subject to the resolution of the shareholders in their meeting to be held in June 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 22.

# Financial Highlights

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Corporation should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation’s paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s paid-in capital, the excess may be transferred to capital or distributed in cash.

All stockholders receiving the dividends are not allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation when appropriating the earnings before 1997. Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation when appropriating the earnings after 1998.

The appropriations from the 2014 and 2013 earnings had been approved in the stockholders’ meetings in June 2015 and 2014. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2014</u>	<u>For Year 2013</u>	<u>For Year 2014</u>	<u>For Year 2013</u>
Legal reserve	\$ 255,829	\$ 253,188	\$ -	\$ -
Cash dividends	1,591,658	1,522,456	1.15	1.1

Special reserve reversal \$316,006 thousand was approved in the stockholders’ meeting in June 2014.

The appropriation of the earnings was proposed by the board of directors on March 28, 2016. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 316,610	\$ -
Cash dividends	2,076,076	1.5

The appropriations of 2015 earnings are subject to the resolution of the stockholders meeting to be held in June 2016.

## d. Special reserves

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Beginning at January 1	\$ 1,057,002	\$ 1,373,008
Reversal:		
Disposal of subsidiaries and associates	(5,315)	-
Disposal of property, plant and equipment	(14)	-
Reversal of the debit to other equity items	<u>-</u>	<u>(316,006)</u>
Balance at December 31	<u>\$ 1,051,673</u>	<u>\$ 1,057,002</u>

# Financial Highlights

## e. Others equity items

### 1) Exchange differences on translating foreign operations

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 750,561	\$ 192,209
Exchange differences arising on translating the financial statements of foreign operations	(8,250)	(2,975)
Share of exchange differences on translating foreign operations of associates and joint ventures accounted for using the equity method	<u>(171,174)</u>	<u>561,327</u>
Balance at December 31	<u>\$ 571,137</u>	<u>\$ 750,561</u>

### 2) Unrealized gain (loss) on available-for-sale financial assets

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 1,035,801	\$ 798,854
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(53,552)	248,114
Share of unrealized gains on available-for-sale financial assets of associates and joint ventures accounted for using the equity method	<u>(84,911)</u>	<u>(11,167)</u>
Balance at December 31	<u>\$ 897,338</u>	<u>\$ 1,035,801</u>

### 3) Total gains on effective portion of cash flow hedges

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ -	\$ -
Transferred to initial carrying amount of hedged items		
Forward foreign exchange contracts	1,689	-
Related income tax	<u>(287)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,402</u>	<u>\$ -</u>

## f. Non-controlling interests

	<b>2015</b>	<b>2014</b>
Restated balance at January 1	\$ 2,957,912	\$ 2,713,111
Attributable to non-controlling interests:		
Share of profit for the year	338,584	263,364
Exchange difference arising on translation of foreign entities	(37,807)	69,039
Remeasurement on defined benefit plans	(9,270)	(2,774)
Related income tax	1,576	474
Acquisition of non-controlling interests in subsidiaries	(16,200)	(194)
Cash dividends to subsidiaries' shareholder	<u>(90,929)</u>	<u>(85,108)</u>
Balance at December 31	<u>\$ 3,143,866</u>	<u>\$ 2,957,912</u>

# Financial Highlights

## 22. NET PROFIT

Net profit concludes as follow:

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
An analysis of depreciation by function		
Operating cost	\$ 718,399	\$ 589,225
Operating expenses	<u>134,030</u>	<u>138,529</u>
	<u>\$ 852,429</u>	<u>\$ 727,754</u>
An analysis of amortization in deferred expenses by function		
Operating cost	\$ 5,804	\$ 1,554
Operating expenses	<u>61,471</u>	<u>53,858</u>
	<u>\$ 67,275</u>	<u>\$ 55,412</u>
An analysis of amortization in intangible assets by function		
Research and development expenses	<u>\$ 37,808</u>	<u>\$ 32,670</u>

b. Rental income and operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Rental income from investment properties	<u>\$ 63,121</u>	<u>\$ 63,045</u>
Direct operating expenses from investment properties that generated rental income	<u>\$ 21,936</u>	<u>\$ 22,324</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Post-employment benefits		
Defined contribution plans	\$ 83,212	\$ 83,934
Defined benefit plans	<u>104,944</u>	<u>87,769</u>
	188,156	171,703
Short-term benefits	<u>3,882,550</u>	<u>3,859,794</u>
	<u>\$ 4,070,706</u>	<u>\$ 4,031,497</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 2,242,535	\$ 2,222,836
Operating expenses	<u>1,828,171</u>	<u>1,808,661</u>
	<u>\$ 4,070,706</u>	<u>\$ 4,031,497</u>

The current Articles of Incorporation of the Corporation stipulate the distribution of bonus to employees at rates of no less than 0.1% and no higher than 5% and to distribute remuneration to directors and supervisors at the rate of 0.5%, respectively, of net profit after income tax. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were estimated at \$12,876 thousand and \$11,512 thousand, respectively.

# Financial Highlights

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate the distribution of employees' compensation and remuneration to directors and supervisors at the rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax (net of the bonus and remuneration) of the year. Thus, for the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were estimated at \$21,054 thousand and \$17,468 thousand, respectively. These amounts were approved by the Corporation's board of directors on March 28, 2016, and their distribution is subject to the shareholders' approval of the amendments to the Corporation's Articles of Incorporation in their meeting in June 2016, during which a report of this distribution will be presented.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 2015, and 2014, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Bonus to employees	\$ 12,876	\$ 16,680
Remuneration of directors and supervisors	11,512	11,393

There was no difference between the amounts of bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings June 2015 and 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ 319,728	\$ 296,104
Adjustments for the period years	<u>(10,114)</u>	<u>2,282</u>
	<u>309,614</u>	<u>298,386</u>
Deferred tax		
In respect of the current year	76,927	119,666
Adjustments for the period years	<u>-</u>	<u>135</u>
	<u>76,927</u>	<u>119,801</u>
Income tax expense recognized in profit or loss	<u>\$ 386,541</u>	<u>\$ 418,187</u>

# Financial Highlights

A reconciliation of accounting profit and income tax expenses was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax	<u>\$ 3,891,229</u>	<u>\$ 3,239,669</u>
Income tax expense calculated at the tax rate (17%)	\$ 661,509	\$ 550,744
Tax-exempt income	(172,813)	(231,487)
Additional income tax on unappropriated earnings	93,280	137,518
Unrecognized investment credits	-	(882)
Unrecognized deductible temporary differences	(213,529)	(54,619)
Investment credits	(78,036)	(83,159)
Unrecognized loss carryforwards	33,864	1,038
Effect of different tax rate of group entities operating in other jurisdictions	55,799	86,264
Adjustments for prior years' tax	(10,114)	2,309
Others	<u>16,581</u>	<u>10,461</u>
Income tax expense recognized in profit or loss	<u>\$ 386,541</u>	<u>\$ 418,187</u>

The above 17% corporate tax rate is used by the Group's subsidiaries based in the ROC, while the 25% corporate tax rate is used by subsidiaries based in China. Tax rates used by Group entities operating in other jurisdictions are based on their local tax laws.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ 17,796	\$ 4,216
Total gains on effective portion of cash flow hedges	<u>(287)</u>	<u>-</u>
Total income tax recognized in other comprehensive income	<u>\$ 17,509</u>	<u>\$ 4,216</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax assets (included in other current assets)		
Tax refund receivable	\$ 6,179	\$ 11,662
Prepaid income tax	<u>109</u>	<u>143</u>
	<u>\$ 6,288</u>	<u>\$ 11,805</u>
Current tax liabilities		
Income tax payable	<u>\$ 221,593</u>	<u>\$ 293,807</u>

# Financial Highlights

## d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary difference					
Defined benefit plans	\$ 327,583	\$ (2,142)	\$ 17,796	\$ -	\$ 343,237
Other payable	36,029	4,836	-	-	40,865
Inventory	22,452	(1,243)	-	-	21,209
Property, plant and equipment	14,138	(8,731)	-	-	5,407
Other	<u>38,333</u>	<u>(26,714)</u>	<u>-</u>	<u>-</u>	<u>11,619</u>
	438,535	(33,994)	17,796	-	422,337
Loss carryforwards	<u>50,395</u>	<u>(50,366)</u>	<u>-</u>	<u>63,942</u>	<u>63,971</u>
	<u>\$ 488,930</u>	<u>\$ (84,360)</u>	<u>\$ 17,796</u>	<u>\$ 63,942</u>	<u>\$ 486,308</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Cash flow hedges	\$ -	\$ -	\$ 287	\$ -	\$ 287
Other	<u>132,981</u>	<u>(7,433)</u>	<u>-</u>	<u>(849)</u>	<u>124,699</u>
	<u>\$ 132,981</u>	<u>\$ (7,433)</u>	<u>\$ 287</u>	<u>\$ (849)</u>	<u>\$ 124,986</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plans	\$ 347,850	\$ (24,483)	\$ 4,216	\$ 327,583
Other payable	29,973	6,056	-	36,029
Inventory	25,950	(3,498)	-	22,452
Property, plant and equipment	24,157	(10,019)	-	14,138
Other	<u>36,724</u>	<u>1,609</u>	<u>-</u>	<u>38,333</u>
	464,654	(30,335)	4,216	438,535
Loss carryforwards	<u>171,963</u>	<u>(121,568)</u>	<u>-</u>	<u>50,395</u>
	<u>\$ 636,617</u>	<u>\$ (151,903)</u>	<u>\$ 4,216</u>	<u>\$ 488,930</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Other	<u>\$ 165,083</u>	<u>\$ (32,102)</u>	<u>\$ -</u>	<u>\$ 132,981</u>

# Financial Highlights

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
Expiry in 2017	\$ 125,129	\$ 125,129
Expiry in 2018	255,854	255,854
Expiry in 2019	121,375	121,375
Expiry in 2020	322,794	326,942
Expiry in 2021	444,912	460,748
Expiry in 2022	171,883	173,152
Expiry in 2023	91,783	106,374
Expiry in 2024	57,137	56,756
Expiry in 2025	<u>234,665</u>	<u>-</u>
	<u>\$ 1,825,532</u>	<u>\$ 1,626,330</u>
Deductible temporary differences	<u>\$ 2,314,222</u>	<u>\$ 3,135,897</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2015 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 125,129	2017
632,154	2018
121,375	2019
322,794	2020
444,912	2021
171,883	2022
91,783	2023
57,137	2024
<u>234,665</u>	2025
<u>\$ 2,201,832</u>	

- g. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$429,673 thousand and \$366,543 thousand, respectively.

- h. Integrated income tax

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unappropriated earnings		
Generated before January 1, 1998	\$ 4,342,276	\$ 4,356,535
Generated on and after January 1, 1998	<u>14,554,332</u>	<u>13,412,538</u>
	<u>\$ 18,896,608</u>	<u>\$ 17,769,073</u>
Imputation credit account ("ICA")	<u>\$ 2,081,661</u>	<u>\$ 1,713,895</u>

# Financial Highlights

The creditable ratios for the distribution of earnings of 2015 and 2014 were 14.30% (expected ratio) and 15.36% (actual ratio), respectively. Based on the revised Article 66-6 of the Income Tax Law that will take effect on January 1, 2015, the creditable ratio for individual shareholders residing in the ROC will be half of the original creditable ratio.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Corporation was based on the balance of ICA as of the date of dividends distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

i. Income tax assessment

The tax returns of the Corporation through 2013 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Basic earnings per share	<u>\$ 2.32</u>	<u>\$ 1.88</u>
Diluted earnings per share	<u>\$ 2.32</u>	<u>\$ 1.87</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operation were as follows:

### Net Profit for the Year

	<b>2015</b>	<b>2014</b>
Profit for the year of the Corporation	<u>\$ 3,166,104</u>	<u>\$ 2,558,118</u>

### Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares in computation of basic earnings per share		
Weighted average number of ordinary shares	1,384,051	1,384,051
Adjustment for associates holding shares	<u>(18,872)</u>	<u>(20,439)</u>
	<u>1,365,179</u>	<u>1,363,612</u>
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonus issue to employees	<u>1,235</u>	<u>748</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,366,414</u>	<u>1,364,360</u>

When calculating EPS, the Corporation considers the shares which associates hold as the treasury stock to reduce the outstanding shares.

# Financial Highlights

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the future.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

### b. Fair value of financial instruments that are measured at fair value

#### 1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Derivative financial instruments	\$ 61,103	\$ -	\$ 1,913	\$ 63,016
Non-derivative financial assets held for trading	<u>277,960</u>	<u>-</u>	<u>-</u>	<u>277,960</u>
	<u>\$ 339,063</u>	<u>\$ -</u>	<u>\$ 1,913</u>	<u>\$ 340,976</u>
Available-for-sale financial assets				
Listed securities - ROC	\$ 57,754	\$ -	\$ -	\$ 57,754
Unlisted securities - ROC	119,195	-	725,538	844,733
Mutual funds	<u>734,854</u>	<u>-</u>	<u>-</u>	<u>734,854</u>
	<u>\$ 911,803</u>	<u>\$ -</u>	<u>\$ 725,538</u>	<u>\$ 1,637,341</u>
Derivative financial assets for hedging				
Derivative financial instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,916</u>	<u>\$ 1,916</u>

(Continued)

# Financial Highlights

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments	\$ -	\$ -	\$ 299	\$ 299
Derivative financial liabilities for hedging				
Derivative financial instruments	\$ -	\$ -	\$ 227	\$ 227
				(Concluded)

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Derivative financial instruments	\$ 59,700	\$ -	\$ 56	\$ 59,756
Non-derivative financial assets	571,387	-	-	571,387
	<u>\$ 631,087</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 631,143</u>
Available-for-sale financial assets				
Listed securities - ROC	\$ 161,226	\$ -	\$ -	\$ 161,226
Unlisted securities - ROC	145,693	-	667,025	812,718
Mutual funds	1,446,286	-	-	1,446,286
	<u>\$ 1,753,205</u>	<u>\$ -</u>	<u>\$ 667,025</u>	<u>\$ 2,420,230</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

## 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2015

Financial Assets	Financial Instruments at Fair Value Through Profit or Loss Derivatives	Available-for-sale Financial Assets	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 56	\$ 667,025	\$ -	\$ 667,081
Recognized in profit or loss	1,857	-	-	1,857
Recognized in other comprehensive income	-	58,513	1,916	60,429
Balance at December 31	<u>\$ 1,913</u>	<u>\$ 725,538</u>	<u>\$ 1,916</u>	<u>\$ 729,367</u>

# Financial Highlights

<b>Financial Liabilities</b>	<b>Financial Instruments at Fair Value Through Profit or Loss Derivatives</b>	<b>Derivative Financial Instruments for Hedging</b>	<b>Total</b>
Balance at January 1	\$ -	\$ -	\$ -
Recognized in profit or loss	299	-	299
Recognized in other comprehensive income	<u>-</u>	<u>227</u>	<u>227</u>
Balance at December 31	<u>\$ 299</u>	<u>\$ 227</u>	<u>\$ 526</u>

For the year ended December 31, 2014

<b>Financial Assets</b>	<b>Financial Instruments at Fair Value Through Profit or Loss Derivatives</b>	<b>Available-for-sale Financial Assets</b>	<b>Total</b>
Balance at January 1	\$ -	\$ 584,206	\$ 584,206
Purchase	126	-	126
Recognized in other comprehensive income	-	82,819	82,819
Recognized in profit or loss	<u>(70)</u>	<u>-</u>	<u>(70)</u>
Balance at December 31	<u>\$ 56</u>	<u>\$ 667,025</u>	<u>\$ 667,081</u>

- 3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement
- a) Derivative financial instruments: The fair values of warrants were determined using option pricing models where the significant unobservable inputs are historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value.
  - b) Derivative financial instruments: The fair values of foreign exchange rate swaps and forward foreign exchange contracts of future cash flows were estimated by observable period end foreign exchange rate and exchange rate settled by the contracts, and were respectively discounted by the discount rate that reflected trading parties' credit risks.
  - c) Domestic unlisted securities to which the market approach was applied: The fair values of domestic unlisted shares were determined using the P/E (price-earnings) ratio and the P/B (price-to-book) ratio while referring to stock prices of listed companies with operating activities that were similar to those of the Corporation. The material unobservable inputs were as follows:

	<b>December 31, 2015</b>
P/E ratio	14.85-20.87 times
P/B ratio	1.44-1.65 times
Discount rate for lack of marketability	20%

# Financial Highlights

Had the inputs to the valuation model been changed to reflect reasonably possible alternative assumptions while all the other variables been held constant, the fair values of the shares would have increased (decreased) as follows:

	<b>December 31, 2015</b>
P/E ratio	
1 time increase	<u>\$ 56,896</u>
1 time decrease	<u>\$ (56,896)</u>
P/B ratio	
0.1 time increase	<u>\$ 72,554</u>
0.1 time decrease	<u>\$ (72,554)</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 279,873	\$ 571,443
Designated as at FVTPL	61,103	59,700
Derivative instruments in designated hedge accounting relationships (included in other current assets)	1,916	-
Loans and receivables (Note 1)	17,926,985	15,581,281
Available-for-sale financial assets (Note 2)	1,931,108	2,888,455
<u>Financial liabilities</u>		
Amortized cost (Note 3)	6,888,967	6,958,679
Fair value through profit or loss (FVTPL)		
Held for trading (included in other current liabilities)	299	-
Derivative instruments in designated hedge accounting relationships (included in other current liabilities)	227	-

Note 1: The balances included cash and cash equivalents, notes receivable, accounts receivable (related parties included), other receivables, other financial assets (included in other current assets), debt investments with no active market and guarantee deposits (included in other non-current assets).

Note 2: The balances included the carrying amounts of available-for-sale financial assets and available-for-sale financial assets measured at cost.

Note 3: The balances included short-term borrowings, short-term bills payable, notes payable, accounts payable (related parties included), other payables, long-term loans (including the current portion) and deposits received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The main financial instruments of the Group include equity and debt investments, accounts receivable, accounts payables and borrowings. Financial risks include market risk, credit risk, and liquidity risk.

# Financial Highlights

## 1) Market risk

The Group's activities exposed it primarily to the financial risks due to changes in exchange rates, interest rate and other market-related factors.

### a) Exchange rate risk

Holding foreign currency-denominated assets and liabilities exposes the Group to adverse fluctuations of cash flows and the reduction of foreign currency assets due to the exchange rate changes. The Group avoids cash flow risk resulting from the adverse exchange rate changes by using derivative contracts.

#### Sensitivity analysis

The Group is mainly exposed to the U.S. dollar (USD), Japanese yen (JPY) and Renminbi (RMB).

The following table shows the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included outstanding foreign currency-denominated monetary items and nonmonetary items, and their translation at the end of the reporting period is adjusted for a 1% change in exchange rates. A positive number below indicates an increase in post-tax profit and equity due to a 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and equity and the balances below would be negative.

	<b>USD to NTD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss	\$ (7,764)	\$ (6,876)
	<b>USD to RMB</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain	\$ 209	\$ 829
	<b>JPY to NTD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain	\$ 2,600	\$ 3,063
Equity	(1,916)	-
	<b>RMB to NTD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss	\$ (21,474)	\$ (14,263)

# Financial Highlights

## b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 61,103	\$ 59,700
Cash flow interest rate risk		
Financial assets	12,845,348	11,328,119
Financial liabilities	872,217	819,607

### Sensitivity analysis

The following sensitivity analysis was based on the Group's exposure to changes in interest rates for nonderivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity rate of 1% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 1% higher and had all other variables been held constant, the Group's pre-tax profit would have increased by \$119,731 thousand in 2015 and \$105,085 thousand in 2014.

The increase in the Group's sensitivity to interest rates during the current period was mainly due to the increase in floating rate asset instruments.

## c) Other price risk

The Group was exposed to equity price risk on its investments in listed securities, emerging stocks and mutual funds.

### Sensitivity analysis

The Group assesses equity price risk using sensitivity analysis.

The following sensitivity analysis was based on the exposure to equity price risk at the end of the reporting period. Had equity prices been 5% lower, the fair values of available-for-sale investments and held-for-trading investments would have decreased by \$59,488 thousand and \$116,230 thousand as of December 31, 2015 and 2014, respectively.

## 2) Credit risk

The amounts of financial assets were potentially affected by the Group if the counter-parties or third parties breach financial instrument contracts. The affection includes the concentrated degrees, composition parts and contracts amounts of the financial instruments and other receivables. The Group believes the risk is low because the trading parties were creditworthy banks, brokers and dealers.

## 3) Liquidity risk

The Group has sufficient operating capital to meet cash requirements for settling derivative transactions. Thus, liquidity risk is low.

# Financial Highlights

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### a. Operating transactions

#### 1) Revenue

Related Party Categories	For the Year Ended December 31	
	2015	2014
Associates	\$ 23,284,055	\$ 23,007,461
Investors that have significant influence over the Group	<u>590,567</u>	<u>750,616</u>
	<u>\$ 23,874,622</u>	<u>\$ 23,758,077</u>

#### 2) Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2015	2014
Associates	\$ 4,461,093	\$ 3,163,473
Investors that have significant influence over the Group	<u>2,278,945</u>	<u>3,034,599</u>
	<u>\$ 6,740,038</u>	<u>\$ 6,198,072</u>

#### 3) Technical service expense (included in cost of goods sold and selling and marketing expenses)

Related Party Categories	For the Year Ended December 31	
	2015	2014
Investors that have significant influence over the Group	<u>\$ 186,423</u>	<u>\$ 176,080</u>

#### 4) Development expense (included in research and development expenses)

Related Party Categories	For the Year Ended December 31	
	2015	2014
Investors that have significant influence over the Group	<u>\$ 78,799</u>	<u>\$ 58,852</u>

#### 5) Property, plant and equipment acquired

Related Party Categories	December 31	
	2015	2014
Associates	<u>\$ 88,140</u>	<u>\$ 17,396</u>

# Financial Highlights

## 6) Receivables from related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 1,589,114	\$ 1,501,928
Investors that have significant influence over the Group	<u>46,058</u>	<u>58,900</u>
	<u>\$ 1,635,172</u>	<u>\$ 1,560,828</u>

## 7) Prepayments (included in other current assets)

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 231,406	\$ 104,805
Investors that have significant influence over the Group	<u>90,173</u>	<u>36,164</u>
	<u>\$ 321,579</u>	<u>\$ 140,969</u>

## 8) Payables to related parties

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 587,155	\$ 643,778
Investors that have significant influence over the Group	<u>157,691</u>	<u>181,708</u>
	<u>\$ 744,846</u>	<u>\$ 825,486</u>

## 9) Deposit in advance (included in other current liabilities)

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	<u>\$ 59,278</u>	<u>\$ 102,194</u>

The outstanding payables to related parties had no guarantees and would be paid in cash. The Group receives guarantees of the receivables from part of the related parties. In addition, the Group did not recognize allowance for doubtful accounts for 2015 and 2014.

Except for the royalty received from South Eastern (Fujian) Motor in accordance with the authorities of Mainland China, other transactions with related parties have the same terms for pricing, receipts and payments as of those for the third parties. Lease contracts with related parties are based on market conditions, and the terms of receipts or payments were the same as those for the third parties.

The Group signed contract with Mitsubishi Motor Corp. (MMC). Please refer to Note 29.

# Financial Highlights

## b. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 146,701	\$ 124,995
Post-employment benefits	<u>3,402</u>	<u>3,223</u>
	<u>\$ 150,103</u>	<u>\$ 128,218</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings, the tariff of importing vehicle parts and materials, escrows, government tenders and the deposit of project:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 790,071	\$ 802,434
Other current assets	127,528	116,510
Investment properties	<u>54,591</u>	<u>54,591</u>
	<u>\$ 972,190</u>	<u>\$ 973,535</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2015 were as follows:

- a. Guarantee notes amounted to \$4,727,650 thousand, which had been issued to financial institutions as collaterals for loans; unused letters of credit amounted to \$17,225 thousand.
- b. Certain fees were received by Mitsubishi Motor Corporation (MMC) and Mitsubishi Fuso Truck and Bus Corp. for providing the Group with technical assistance in the manufacture of automobiles and in the minor revisions of certain car models, as stated in several agreements with the latest expiry in September 2025. In addition, under several agreements with the latest expiry in July 2017, development expenses were paid to MMC for helping the Group in revising the designs of certain car models and exhaust systems and in developing automobile functions, as stated in several agreements with the latest expiry in July 2017.
- c. The status of endorsements/guarantees was listed in Table 2.

# Financial Highlights

## 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	<b>Foreign Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 27,057	32.8250	\$ 888,156
RMB	433,845	4.9950	2,167,055
Non-monetary items			
Joint ventures accounted for using the equity method			
EUR	35,370	35.8800	1,269,091
<u>Foreign currency liabilities</u>			
Monetary items			
USD	3,406	32.8250	111,800
JPY	967,635	0.2727	263,874

December 31, 2014

	<b>Foreign Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 23,567	31.6500	\$ 745,907
	4,311	6.2156 (USD:RMB)	136,435
RMB	295,682	5.0920	1,505,610
Non-monetary items			
Joint ventures accounted for using the equity method			
EUR	32,184	38.4700	1,238,121
<u>Foreign currency liabilities</u>			
Monetary items			
USD	6,931	6.2156 (USD:RMB)	219,359
JPY	1,245,664	0.2646	329,603

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged, unless stated otherwise.

For the years ended December 31, 2015 and 2014, net foreign exchange gains (losses) (realized and unrealized) were \$(12,783) thousand and \$107,254 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

# Financial Highlights

## 31. SEPARATELY DISCLOSED ITEMS

Excluded in Notes 7, 9, 26 and Tables 1 to 10, there were no other separately disclosed items.

## 32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were vehicle manufacturing, channel and others.

The following was an analysis of the Group's revenue and results by reportable segment.

	Segment Revenues		Segment Income or Loss	
	2015	2014	2015	2014
Vehicle manufacturing	\$ 32,493,282	\$ 32,005,676	\$ 3,742,870	\$ 3,199,599
Channel	4,612,836	4,188,945	(26,151)	(46,818)
Others	77,675	32,357	922	55,534
Adjustment and eliminations	(299,346)	(275,551)	-	-
	\$ 36,884,447	\$ 35,951,427	3,717,641	3,208,315
Administration cost and remunerations to directors and supervisors			(254,497)	(259,966)
Other non-operating income and expenses, net			428,085	291,320
Profit before income tax			\$ 3,891,229	\$ 3,239,669

Intersegment transactions were accounted for according to market prices.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and remunerations to directors and supervisors, interest income, other income, gain on disposal of investments, net foreign exchange gain or loss, interest expense, other expense, gains or losses on financial instruments at fair value through profit or loss, impairment loss, and income tax expense. This was the measure reported to the chief operating decision maker for resource allocation and assessment of segment performance.

TABLE 1

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Notes 1 and 4)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	China Motor Corporation	Sino Diamond Motors	Other receivable	Yes	\$ 500,000	\$ 500,000	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,485,460 (Note 2)	\$ 9,903,069 (Note 3)
1	Hwa-Lin	Sichuan Huafeng Hanwei	Other receivable	Yes	39,390 (US\$ 1,200 thousand)	39,390 (US\$ 1,200 thousand)	39,390 (US\$ 1,200 thousand)	2	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	64,337 (US\$ 1,960 thousand)	64,337 (US\$ 1,960 thousand)	64,337 (US\$ 1,960 thousand)	2	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	150,652 (US\$ 3,570 thousand) and (RMB 6,700 thousand)	150,652 (US\$ 3,570 thousand) and (RMB 6,700 thousand)	146,289 (US\$ 3,515 thousand) and (RMB 6,188 thousand)	2-3	Short-term financing	-	Working capital	-	-	-	"	"
2	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Other receivable	Yes	499,500 (RMB 100,000 thousand)	499,500 (RMB 100,000 thousand)	352,148 (RMB 70,500 thousand)	5.4	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwahong	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
3	Sichuan Huafeng Hanwei	Sichuan Lingwei	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	9,510 (RMB 1,904 thousand)	5.4	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Hauwei	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	944 (RMB 189 thousand)	5.4	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwahong	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	149,850 (RMB 30,000 thousand)	149,850 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	149,850 (RMB 30,000 thousand)	149,850 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"

(Continued)

# Financial Highlights

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Notes 1 and 4)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
4	Tianjin Hwarui	Tianjin Hwahong	Other receivable	Yes	\$ 49,950 (RMB 10,000 thousand)	\$ 49,950 (RMB 10,000 thousand)	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,485,460 (Note 2)	\$ 9,903,069 (Note 3)
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	149,850 (RMB 30,000 thousand)	149,850 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	149,850 (RMB 30,000 thousand)	149,850 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
5	Tianjin Hwahong	Tianjin Hwarui	Other receivable	Yes	249,750 (RMB 50,000 thousand)	249,750 (RMB 50,000 thousand)	94,191 (RMB 18,857 thousand)	5.4	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	29,970 (RMB 6,000 thousand)	2.9	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	74,925 (RMB 15,000 thousand)	74,925 (RMB 15,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	74,925 (RMB 15,000 thousand)	74,925 (RMB 15,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
6	Dongguan Huayi	Dongguan Huashun	Other receivable	Yes	249,750 (RMB 50,000 thousand)	249,750 (RMB 50,000 thousand)	49,950 (RMB 10,000 thousand)	5.04	Short-term financing	-	Working capital	-	-	-	"	"
7	Dongguan Huashun	Dongguan Huayi	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwahong	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	49,950 (RMB 10,000 thousand)	49,950 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
8	CMI	Hwa Wei Holdings	Other receivable	Yes	1,200,000	-	-	-	Short-term financing	-	Working capital	-	-	-	"	"
9	GH	Gatech (Suzhou) Technology	Other receivable	Yes	49,238 (US\$ 1,500 thousand)	49,238 (US\$ 1,500 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"

Note 1: At exchange rate on December 31, 2015, US\$1=NT\$32.825, RMB1=NT\$4.995.

Note 2: The amount is 3% of the total stockholder's equity of the latest financial statement of China Motor Corporation.

Note 3: The amount is 20% of the total stockholder's equity of the latest financial statement of China Motor Corporation.

Note 4: Eliminated.

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year (Note)	Outstanding Endorsement/ Guarantee at the End of the Year (Note)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiary	Endorsement/ Guarantee Given by Subsidiary on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China
		Name	Relationship										
1	Sino Diamond Motors	Guangzhou Huayou Motor Maintenance	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	\$ 1,575,600 (US\$ 48,000 thousand)	\$ 984,750 (US\$ 30,000 thousand)	\$ -	\$ -	1.99	50% of the Corporation's issued capital, \$6,920,254 thousand	No	-	Yes
		Tianjin Hwarui	"	"	2,954,250 (US\$ 90,000 thousand)	2,954,250 (US\$ 90,000 thousand)	-	-	5.97	"	"	-	"
2	Dongguan Huayi	Dongguan Huashun	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	249,750 (RMB 50,000 thousand)	249,750 (RMB 50,000 thousand)	-	-	0.50	50% of the Corporation's issued capital, \$6,920,254 thousand	No	-	Yes
3	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	249,750 (RMB 50,000 thousand)	249,750 (RMB 50,000 thousand)	-	-	0.50	50% of the Corporation's issued capital, \$6,920,254 thousand	No	-	Yes

Note: At exchange rate on December 31, 2015, US\$1=NT\$32.825, RMB1=NT\$4.995.

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
China Motor Corporation	<u>Convertible bonds</u>							
	Jinli 1st Convertible Bond	-	Financial assets at fair value through profit or loss	320	\$ 32,096	-	\$ 32,096	
	YEM CHIO 6th Convertible Bond	-	"	293	29,007	-	29,007	
	<u>Preferred stock option</u>							
	TC Bank	-	Financial assets at fair value through profit or loss	-	1,913	-	1,913	
	<u>Beneficial certificates</u>							
	Paradigm Pion Money Market	-	Available-for-sale financial assets - current	8,718	99,550	-	99,550	
	The RSIT Enhanced Money Market	-	"	6,854	81,044	-	81,044	
	Sinopac Mmkt Fund	-	"	5,887	80,987	-	80,987	
	PIMCO Funds: Global Investors Series plc Global Bond Fund	-	"	157	64,771	-	64,771	
	China Orient International Fixed Income fund - Segregated portfolio 3	-	"	15	51,269	-	51,269	
	Fubon Chi Hsiang Mmkt Fund	-	"	3,284	50,894	-	50,894	
	Cathay Emerging China Bond Fund	-	"	4,456	49,976	-	49,976	
	Fubon China High Yield Bd	-	"	581	33,106	-	33,106	
	UPAMC James Bond Mmkt Fund	-	"	1,850	30,545	-	30,545	
	Fuh Hwa RMB Bond A	-	"	532	28,067	-	28,067	
	Hua Nan Phoenix Money Market Fund	-	"	1,266	20,357	-	20,357	
	Cathay Taiwan Money Market Funds	-	"	1,647	20,286	-	20,286	
	Franklin Templeton Sinoam Money Market	-	"	1,006	10,254	-	10,254	
	Ctbc Hua Win Money Mkt Fund	-	"	150	1,633	-	1,633	
	<u>Stock</u>							
	TC Bank	-	Available-for-sale financial assets - current	321	4,304	-	4,304	
	<u>Stocks</u>							
	Shye Shyang Machinery Industrial	Corporate directors	Available-for-sale financial assets - non-current	9,009	725,538	10.00	725,538	
	Orange Electronic Co., Ltd.	-	"	1,842	119,195	10.02	119,195	
	<u>Stocks</u>							
	Uni-Calsonic	Corporate directors	Financial assets measured at cost	3,549	48,730	18.20	-	
Taiwan Aerospace	-	"	811	8,107	0.60	-		

(Continued)

## Financial Highlights

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
	Com2B (Cayman) Corp.	-	Financial assets measured at cost	2,000	\$ 3,584	4.44	\$ -	
	Yueki Industrial Co., Ltd.	-	"	16	100	0.08	-	
	NORM Pacific Automation Corp.	-	"	99	-	0.45	-	
	<u>Preferred stock</u>							
	TC Bank	-	Debt investments with no active market	-	293,608	-	293,608	
	<u>Corporate bonds</u>							
	ICBC	-	Debt investments with no active market	-	299,700	-	299,700	
	Societe Generale	-	"	-	226,071	-	226,071	
	Value Success International	-	"	-	170,994	-	170,994	
	Morgan Stanley	-	"	-	150,153	-	150,153	
	Gatetech Technology	-	"	-	150,000	-	150,000	Note 1
	CTBC Bank Co Ltd.	-	"	-	149,850	-	149,850	
	Deutsche Bank Aktiengesellschaft, Singapore Branch	-	"	-	149,850	-	149,850	
	Credit Agricole Corporate & Investment Bank SA	-	"	-	99,900	-	99,900	
	Uni-President China Holdings Ltd	-	"	-	89,709	-	89,709	
	Kunzhi Limited	-	"	-	75,262	-	75,262	
	Sinotrans Sailing Ltd.	-	"	-	75,005	-	75,005	
	Anstock Limited	-	"	-	74,849	-	74,849	
	Haitong International Securities Group Limited.	-	"	-	64,908	-	64,908	
	Fonterra Co-operative Group Ltd.	-	"	-	50,233	-	50,233	
	China Unicom (Hong Kong) Limited.	-	"	-	50,056	-	50,056	
	Shanghai Baosteel Group Corporation	-	"	-	24,998	-	24,998	
	Bank of China, Abu Dhabi Branch	-	"	-	24,988	-	24,988	
	BSH Hausgerate GmbH	-	"	-	24,946	-	24,946	
	Sinostrong International Ltd.	-	"	-	4,999	-	4,999	
Kian Shen	<u>Beneficial certificate</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	684	10,002	-	10,002	
Alliance Investment & Management	<u>Beneficial certificate</u>							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss	11,289	179,884	-	179,884	
	<u>Stocks</u>							
	Samuel (Cayman) Co., Ltd.	-	Financial assets measured at cost	6,327	92,132	15.07	-	
	T-Car Inc.	-	"	425	58,519	4.25	-	
	CARPLUS Auto Leasing Corporation	-	"	2,590	21,531	3.45	-	
	United Oriental Glass Ind. Co., Ltd.	-	"	533	11,200	1.33	-	
	Acrosser Technology Co., Ltd.	-	"	2,052	10,259	8.01	-	
	Tennrich International Corp.	-	"	523	5,588	0.86	-	
	Solidlite Corporation	-	"	789	5,524	3.60	-	

(Continued)

## Financial Highlights

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
	Phalanx Biotech Group	-	Financial assets measured at cost	696	\$ 4,873	1.32	\$ -	
	Gongin Precision Industrial Co., Ltd.	-	"	320	4,668	0.70	-	
	Jouge Technology Co., Ltd.	-	"	205	987	0.76	-	
	Site information service	-	"	65	968	0.54	-	
	Chao Peng Optronics Co., Ltd.	-	"	88	1	0.81	-	
	<u>Preferred stock</u>							
	Rock Financial Risk Service Co., Ltd.	-	Debt investments with no active market	-	9,900	-	9,900	
Sino Diamond Motors	<u>Beneficial certificates</u>							
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Available-for-sale financial assets - current	3,420	48,817	-	48,817	
	CTBC Hwa-win Money Market Fund	-	"	3,972	43,228	-	43,228	
	Taishin Ta-Chong Money Market	-	"	1,431	20,070	-	20,070	
CMC Investment	<u>Stocks</u>							
	TFC	-	Financial assets at fair value through profit or loss	24	1,033	-	1,033	
	Carnival	-	"	190	988	0.05	988	
	YTEC	-	"	42	399	-	399	
	<u>Beneficial certificate</u>							
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss	7,318	79,629	-	79,629	
	<u>Stock</u>							
	Myson Century, Inc.	-	Available-for-sale financial assets - non-current	4,705	27,617	7.84	27,617	
	<u>Stock</u>							
	Momo.Com Inc.	-	Available-for-sale financial assets - current	121	25,833	0.09	25,833	
Gatetech Technology	<u>Debt</u>							
	The 2nd period of 2006 Non-cumulative Subordinated Financial Bond, without Maturity Date	-	Debt investments with no active market	-	20,000	-	20,000	
Brilliant Insight International	<u>Beneficial certificate</u>							
	Taishin Ta-Chong Money Market.	-	Financial assets at fair value through profit or loss	430	6,025	-	6,025	

Note 1: Eliminated.

Note 2: See Tables 7 and 8 for the information of investments in subsidiaries and associates.

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2015  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name/Issuer of Marketable Security	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustment (Note)	Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares (In Thousands)	Amount
China Motor Corporation	<u>Beneficiary certificates</u> Yuanta De Bao Money Market Fund - current	Available for-sale financial asset	-	-	32,502	\$ 383,872	-	\$ -	32,502	\$ 384,306	\$ 374,663	\$ 9,643	\$ 9,209	-	\$ -
CMI	<u>Stocks</u> Hwa Wei Holdings	Investments accounted for using the equity method	Hwa Wei Holdings	Subsidiary	-	-	60	1,428,503	-	-	-	-	(257,075)	60	1,171,428

Note: Including unrealized gain or loss on available for-sale financial assets, recognizing equity in gains or losses of investees and their equity adjustments.

CHINA MOTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars)

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note2)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 2)	
China Motor Corporation	Fortune Motors	Equity-method investees	Sale	\$ (15,500,188)	(55)	Collect after 16-60 days of delivery	\$ -	-	\$ 661,296	43	
	Shung Ye Motors	Equity-method investees	Sale	(4,286,264)	(15)	Collect after 16-60 days of delivery	-	-	208,769	13	
	Mitsubishi Motor Corp.	Directors	Sale	(585,389)	(2)	Collect after 20-80 days of delivery	-	-	45,734	3	
	Mitsubishi Corp.	Directors	Purchase	1,967,514	11	Pay after 7 days of cargo ship out	-	-	(37,232)	(1)	
	Uni Auto Parts Manufacture	Equity-method investees	Purchase	637,943	4	Pay after 45 days of the month of delivery	-	-	(94,521)	(4)	
	Kian Shen (Note 1)	Subsidiaries	Purchase	540,102	3	Pay after 45 days of the month of delivery	-	-	(94,846)	(4)	
	ROC-Spicer	Equity-method investees	Purchase	372,886	2	Pay after 45 days of the month of delivery	-	-	(69,628)	(3)	
	Shye Shyang Machinery Industrial	Directors	Purchase	326,570	2	Pay after 45 days of the month of delivery	-	-	(56,943)	(2)	
	COC (Note 1)	Subsidiaries	Purchase	308,098	2	Pay after 45 days of the month of delivery	-	-	(51,711)	(2)	
	Yueki	Equity-method investees' subsidiaries	Purchase	145,383	1	Pay after 45 days of the month of delivery	-	-	(27,521)	(1)	
	Uni-Calsonic	Directors	Purchase	130,681	1	Pay after 45 days of the month of delivery	-	-	(22,371)	(1)	
Sino Diamond Motors	Fortune Motors	Equity-method investees	Sale	(787,985)	(44)	Collect after 16-45 days of delivery	-	-	87,242	59	
	Shung Ye Motors	Equity-method investees	Sale	(669,899)	(37)	Collect after 7-45 days of delivery	-	-	22,295	15	
	Mitsubishi Corp.	Director of parent company	Purchase	279,723	41	Net 30 days from the end of the month of when invoice is issued	-	-	(136)	-	
Kiah Shen	China Motor Corporation (Note 1)	Parent company	Sale	(540,102)	(45)	Collect after 45 days of the month of delivery	-	-	94,846	45	
	Yulon	Equity-method investees	Sale	(103,266)	(9)	Collect after 45 days of the month of delivery	-	-	16,614	8	
	Yueki	Equity-method investees' subsidiaries	Purchase	132,129	14	Pay after 45 days of the month of delivery	-	-	(43,162)	(19)	
COC	China Motor Corporation (Note 1)	Parent company	Sale	(308,098)	(19)	Collect after 45 days of the month of delivery	-	-	51,711	18	
	Yulon	Equity-method investees	Sale	(417,834)	(26)	Collect after 45 days of the month of delivery	-	-	59,868	21	
	Yulon	Equity-method investees	Purchase	154,118	23	Pay after 45 days of the month of delivery	-	-	(4,964)	(2)	

(Continued)

## Financial Highlights

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note2)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 2)	
Y. M. Hi-Tech	Yulon	Equity-method investees	Sale	\$ (129,968)	(47)	Collect after 45 days of the month of delivery	\$ -	-	\$ 21,489	53	
	Yulon	Equity-method investees	Purchase	111,321	47	Pay after 45 days of the month of delivery	-	-	(48,790)	(55)	
China Engine	Hua-Chuang Automobile Information Technical Center	Equity-method investees	Sale	(632,287)	(59)	Collect after 45 days of the month of delivery	-	-	322,106	80	
	Yulon	Equity-method investees	Sale	(248,538)	(23)	Collect after 45 days of the month of delivery	-	-	38,081	9	
Sichuan Hwafeng Hanwei	South Eastern (Fujian) Motor	Equity-method investees	Purchase	725,672	95	Pay after 45 days of delivery	-	-	(22,271)	(95)	
Guangzhou Huayou Motor Sales	South Eastern (Fujian) Motor	Equity-method investees	Purchase	477,929	95	Pay after 45 days of delivery	-	-	(1,611)	(63)	
Tianjin Huahong	South Eastern (Fujian) Motor	Equity-method investees	Purchase	366,662	99	Pay after 45 days of delivery	-	-	(84)	(41)	
Donggun Huashun	South Eastern (Fujian) Motor	Equity-method investees	Purchase	674,668	92	Pay after 45 days of delivery	-	-	-	-	

Note 1: Eliminated.

Note 2: The proportion of Individual company total purchase (sale) or total receivable (payable).

(Concluded)

**CHINA MOTOR CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2015**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
China Motor Corporation	Fortune Motors	Equity-method investee	\$ 661,296	22.95	\$ -	-	\$ 661,296	\$ -
	Shung Ye Motors	Equity-method investee	208,769	20.20	-	-	208,769	-
China Engine	Hua-Chuang Automobile Information Technical Center	Equity-method investee	322,106	2.05	-	-	183,393	-

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (In Thousands)	%	Carrying Amount			
China Motor Corporation	Yulon (Note 6)	Miaoli, Taiwan	Manufacture and sale of vehicles	\$ 2,772,729	\$ 2,772,729	236,901	15.06	\$ 10,495,656	\$ 3,352,078	\$ 473,527	Equity-method investees
	Kian Shen (Note 1)	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	30,379	43.87	1,706,806	437,216	191,988	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and providing after sales service of vehicle	2,132,203	2,132,219	132,096	41.92	3,788,915	918,213	384,930	Equity-method investees
	Sino Diamond Motors (Note 1)	Taipei, Taiwan	Sales and providing after sales service of vehicle	3,463,724	3,463,724	325,786	100.00	2,948,447	(21,888)	(21,888)	Subsidiary
	Alliance Investment & Management (Note 1)	Taipei, Taiwan	Investment	1,200,030	1,200,030	183,000	100.00	1,745,500	83,391	83,391	Subsidiary
	CMC Investment (Note 1)	Taipei, Taiwan	Invest on production and service industries.	130,263	130,263	133,503	100.00	1,725,691	51,403	51,403	Subsidiary
	Tokio Marine Newa Insurance (Note 2)	Taipei, Taiwan	Property insurance	955,941	955,941	61,511	20.57	1,535,483	857,378	176,368	Equity-method investees
	ROC-Spicer	Taoyuan, Taiwan	Manufacture and sales of automobile parts	803,633	803,633	1,422	29.00	1,289,168	333,786	96,734	Equity-method investees
	Daimler Vans Hong Kong Ltd.	Hong Kong	Investment	2,011,363	1,813,970	46,566	32.45	1,269,091	(501,541)	(162,750)	Equity-method investees
	CMI (Note 1)	Samoa	Investment	1,402	1,402	40	100.00	1,173,642	(100,133)	(100,133)	Subsidiary
	Hwa Wei Holdings (Note 1)	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40	40.00	774,562	(265,711)	(157,644)	Subsidiary
	COC (Note 1)	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle.	412,125	412,125	30,821	49.76	677,433	156,358	78,173	Subsidiary
	Uni Auto Parts Manufacture	Miaoli, Taiwan	The production of mold, fixture and gauge of vehicle.	109,813	109,813	13,032	15.00	375,026	241,172	36,102	Equity-method investees
	Shung Ye Motors (Note 3)	Taipei, Taiwan	Sales and providing after sales service of vehicle	391,142	391,142	25,829	39.98	332,429	46,329	18,523	Equity-method investees
	Hua-Chuang Automobile Information Technical Center (Note 4)	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	313,356	(237,489)	(24,234)	Equity-method investees
	Gatetech Technology (Note 1)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	474,941	474,941	24,725	56.53	212,943	35,057	19,755	Subsidiary
	China Engine (Note 1)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	320,000	320,000	32,000	18.95	164,924	4,370	10,853	Subsidiary
	Tai Yuen Venture Capital Investment	Taipei, Taiwan	Venture capital, providing plan consulting and operations administration	237,897	495,000	26,760	49.50	113,874	(42,188)	(20,883)	Equity-method investees
	Sin Gan	Taipei, Taiwan	Sales and providing after sales service of vehicle	71,316	71,316	7,074	24.67	107,283	114,158	28,167	Equity-method investees
	Sin Jiang Enterprises	Taipei, Taiwan	Retail and wholesale of second-hand vehicle	85,893	85,893	8,568	20.01	94,483	18,245	3,650	Equity-method investees
	Hwa Chung Motors (Note 1)	Taoyuan, Taiwan	Manufacture of vehicles	328,900	328,900	8,790	100.00	64,475	(1,543)	(1,543)	Subsidiary
	Yulon IT Solutions	Taipei, Taiwan	Information software wholesale services	83,320	83,320	8,332	43.85	22,444	655	287	Equity-method investees
	Fu Yu Venture Capital Investment	Taipei, Taiwan	Venture capital, providing plan consulting and operations administration	-	22,222	-	-	-	-	3,132	Equity-method investees (liquidated)
Hwa Hann (Note 1)	Philippines	Buy and sell of automobile parts	-	3,378	521	48.99	-	-	348	Subsidiary (under liquidation)	
Kian Shen	Kian Shen Investment (Note 1)	British Virgin Islands	Production and overseas invest on service industries	328,888	328,888	10,296	100.00	3,133,405	425,695	-	Subsidiary
Kian Shen Investment	KSIHK (Note 1)	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907	100.00	RMB 627,417 thousand	RMB 84,581 thousand	-	Subsidiary
Alliance Investment & Management	Hua-Chuang Automobile Information Technical Center	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	526,174	(237,489)	-	Equity-method investees
	Greentrans Investment (Note 1)	Samoa	Investment	344,369	195,237	11,200	100.00	356,544	17,672	-	Subsidiary
	Gatetech Technology (Note 1)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	145,123	145,123	3,172	7.26	27,331	35,057	-	Subsidiary
Sino Diamond Motors	Hua-Yu (Note 1)	Samoa	Production and overseas invest on service industries	1,758,773	1,758,773	45,643	100.00	1,067,373	(37,542)	-	Subsidiary
	Hua-Chuang Automobile Information Technical Center	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	526,174	(237,489)	-	Equity-method investees
	China Engine (Note 1)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	616,000	616,000	56,000	33.16	337,797	4,370	-	Subsidiary
	Gatetech Technology (Note 1)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	149,369	149,369	3,946	9.02	34,031	35,057	-	Subsidiary
	Brilliant Insight International (Note 1)	Taoyuan, Taiwan	Consulting and service	22,000	10,000	2,200	100.00	18,493	21	-	Subsidiary
	Hwa Hann (Note 1)	Philippines	Buy and sell of automobile parts	-	3,500	542	51.00	-	-	-	Subsidiary (under liquidation)
	Shung Ye Motors (Note 5)	Taipei, Taiwan	Sales and providing after sales service of vehicle	180	180	11	0.02	186	46,329	-	Equity-method investees
Fortune Motors	Taipei, Taiwan	Sales and providing after sales service of vehicle	24	24	1	-	12	918,213	-	Equity-method investees	

(Continued)

# Financial Highlights

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (In Thousands)	%	Carrying Amount			
Hua-Yu	Hwa-Lin (Note 1)	British Virgin Islands	Production and overseas invest on service industries	US\$ 45,929 thousand	US\$ 45,929 thousand	42,093	100.00	\$ 963,670	\$ (35,495)	\$ -	Subsidiary
CMC Investment	Yulon Hua-Chuang Automobile Information Technical Center	Miaoli, Taiwan Taipei, Taiwan	Manufacture and sales of vehicles Product design	909,086	909,086	25,327	1.61	1,057,020	3,352,078	-	Equity-method investees
				473,760	473,760	47,200	9.44	526,174	(237,489)	-	Equity-method investees
Gatetech Technology	GH (Note 1)	Samoa	Investment	647,041	647,041	20,130	100.00	596,287	48,725	-	Subsidiary
GH	GI (Note 1)	Samoa	Investment	US\$ 20,268 thousand	US\$ 20,268 thousand	20,268	100.00	597,097	47,565	-	Subsidiary
China Engine	Advance Power Investment (Note 1) Advance Power Machinery (Note 1)	Mauritius Miaoli, Taiwan	Reinvestment and sales Manufacture of vehicle and parts	59,456	59,456	3,750	100.00	105,309	3,271	-	Subsidiary
				5,000	5,000	500	100.00	5,451	502	-	Subsidiary
CMI	Hwa Wei holdings (Note 1)	British Virgin Island	Overseas investment on production and service industries	1,428,503	-	60	60.00	1,171,428	(265,711)	-	Subsidiary
Hwa Chung Motors	Ling Wei (Note 1) Greentrans (Note 1)	Taipei, Taiwan Taipei, Taiwan	Sales of second-hand vehicle Sales of bicycle and motorcycle	31,000	31,000	3,608	100.00	27,808	(1,939)	-	Subsidiary
				10,000	10,000	1,000	100.00	10,302	106	-	Subsidiary
COC	Y. M. Hi-Tech (Note 1) Shye Shinn (Note 1)	Taoyuan, Taiwan British Virgin Islands	Steel cutting Investment	46,250	30,000	4,250	85.00	57,355	3,977	-	Subsidiary
				US\$ 2,200 thousand	US\$ 2,200 thousand	2,200	100.00	46,042	2,897	-	Subsidiary

Note 1: Eliminated.

Note 2: During the preparation of consolidated financial statement, the price making \$75,455 thousand of intra-group transaction had been eliminated.

Note 3: During the preparation of consolidated financial statement, the loss of \$22,538 thousand of intra-group transaction had been eliminated.

Note 4: During the preparation of consolidated financial statement, the side stream transaction \$27,326 thousand had been eliminated.

Note 5: During the preparation of consolidated financial statement, the gain \$31 thousand of intra-group transaction had been eliminated.

Note 6: During the preparation of consolidated financial statement, the side stream transaction \$3,285 thousand had been eliminated.

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 (Note 1)	Net Income (Loss) of the Investee (Notes 2 and 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2015 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2015 (Note 1)
					Outward	Inward						
South Eastern (Fujian) Motor (Notes 4 and 5)	Sales and production of industrial automation products	\$ 4,529,850 (US\$ 138,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	\$ 1,132,463 (US\$ 34,500 thousand)	\$ -	\$ -	\$ 1,132,463 (US\$ 34,500 thousand)	\$ (748,348)	25.00	\$ (187,087)	\$ 1,649,921	\$ 854,205 (US\$ 26,023 thousand)
China Engine (Fujian)	Sales of engine and engine parts	492,375 (US\$ 15,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	246,188 (US\$ 7,500 thousand)	-	-	246,188 (US\$ 7,500 thousand)	13,085	38.03	6,542	210,590	-
Fujian Benz Automotive	Sales and production of industrial automation products	10,297,560 (EUR 287,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	1,467,026 (EUR 40,887 thousand)	203,763 (EUR 5,679 thousand)	-	1,670,788 (EUR 46,566 thousand)	(1,001,803) (EUR -28,428 thousand)	16.23	(162,527) (EUR -4,612 thousand)	1,268,358 (EUR 35,350 thousand)	-
Guangzhou NTN-YULON Drivertrain	Sales and production of vehicle's components	410,313 (US\$ 12,500 thousand)	The Company indirectly owns these investees through investment company registered in a third region	164,125 (US\$ 5,000 thousand)	-	-	164,125 (US\$ 5,000 thousand)	849,919 (RMB 168,869 thousand)	17.55	339,968 (RMB 67,548 thousand)	1,423,232 (RMB 284,931 thousand)	-
Fuzhou Fushiang Motor Industrial	Sales and production of vehicle's components	583,629 (US\$ 17,780 thousand)	The Company indirectly owns these investees through investment company registered in a third region	93,059 (US\$ 2,835 thousand)	-	-	93,059 (US\$ 2,835 thousand)	178,037 (RMB 35,374 thousand)	15.35	62,313 (RMB 12,381 thousand)	637,283 (RMB 127,584 thousand)	-
Xiangyang NTN-YULON Drivertrain	Sales and production of vehicle's components	1,116,050 (US\$ 34,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	8,931 (RMB 1,775 thousand)	17.55	3,572 (RMB 710 thousand)	410,065 (RMB 82,095 thousand)	-
Xiamen King-Long Kian-Shen Frame	Sales and production of vehicle's components	479,520 (RMB 96,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	50,124 (US\$ 1,527 thousand)	-	-	50,124 (US\$ 1,527 thousand)	57,069 (RMB 11,339 thousand)	21.94	28,535 (RMB 5,670 thousand)	325,021 (RMB 65,069 thousand)	-
Beijing NTN-SEOHAN Driveshaft	The assembling and extra work of transmission shaft and other parts	196,950 (US\$ 6,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	17,726 (US\$ 540 thousand)	-	-	17,726 (US\$ 540 thousand)	107,404 (RMB 21,340 thousand)	3.95	-	16,996 (RMB 3,402 thousand)	-
Jiangsu Greentrans Automotive Parts (Note 6)	Production and sales of parts of electronic motorcycle	367,640 (US\$ 11,200 thousand)	The Company indirectly owns these investees through investment company registered in a third region	216,645 (US\$ 6,600 thousand)	150,995 (US\$ 4,600 thousand)	-	367,640 (US\$ 11,200 thousand)	17,751	100.00	17,751	356,336	-
Fujian Rui Hua (Note 6)	Consultation and services	111,605 (US\$ 3,400 thousand)	The Company indirectly owns these investees through investment company registered in a third region	111,605 (US\$ 3,400 thousand)	-	-	111,605 (US\$ 3,400 thousand)	(2,045)	100.00	(2,045)	103,654	-
Zhejiang Kangda Motor Industry And Trading	Sales of various vehicles and their components	199,800 (RMB 40,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	39,653 (US\$ 1,208 thousand)	-	-	39,653 (US\$ 1,208 thousand)	67,968	24.50	16,652	211,942	-

(Continued)

# Financial Highlights

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 (Note 1)	Net Income (Loss) of the Investee (Notes 2 and 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2015 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2015 (Note 1)
					Outward	Inward						
Guangzhou Huayou Motor Maintenance (Note 6)	Maintenance and ancillary services of vehicle	\$ 420,488 (US\$ 12,810 thousand)	The Company indirectly owns these investees through investment company registered in a third region	\$ 367,607 (US\$ 11,199 thousand)	\$ -	\$ -	\$ 367,607 (US\$ 11,199 thousand)	\$ (20,807)	100.00	\$ (20,807)	\$ 117,576	\$ -
Sichuan Huafeng Hanwei (Note 6)	Maintenance and ancillary services of vehicle	437,557 (US\$ 13,330 thousand)	The Company indirectly owns these investees through investment company registered in a third region	437,557 (US\$ 13,330 thousand)	-	-	437,557 (US\$ 13,330 thousand)	(2,865)	100.00	(2,865)	132,513	-
Tianjin Hwarui (Note 6)	Maintenance and ancillary services of vehicle	263,257 (US\$ 8,020 thousand)	The Company indirectly owns these investees through investment company registered in a third region	254,755 (US\$ 7,761 thousand)	-	-	254,755 (US\$ 7,761 thousand)	7,450	100.00	7,450	170,241	-
Dongguan Huayi (Note 6)	Maintenance and ancillary services of vehicle	146,071 (US\$ 4,450 thousand)	The Company indirectly owns these investees through investment company registered in a third region	138,423 (US\$ 4,217 thousand)	-	-	138,423 (US\$ 4,217 thousand)	(27,912)	100.00	(27,912)	45,018	-
Suzhou Fulgent Automobile Service	Maintenance and ancillary services of vehicle	218,253 (US\$ 6,649 thousand)	The Company indirectly owns these investees through investment company registered in a third region	134,418 (US\$ 4,095 thousand)	-	-	134,418 (US\$ 4,095 thousand)	-	35.00	(20,225)	-	-
Jiang Su Hui Feng Vehicle Service	Maintenance and ancillary services of vehicle	82,949 (US\$ 2,527 thousand)	The Company indirectly owns these investees through investment company registered in a third region	21,829 (US\$ 665 thousand)	-	-	21,829 (US\$ 665 thousand)	-	35.00	221	-	-
Sichuan Hauwei (Note 6)	Sales of various vehicles and their components	14,985 (RMB 3,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(876) (RMB -174 thousand)	100.00	(876) (RMB -174 thousand)	(719) (RMB -144 thousand)	-
Sichuan Lingwei (Note 6)	Sales of various vehicles and their components	9,990 (RMB 2,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(2,290) (RMB -455 thousand)	100.00	(2,290) (RMB -455 thousand)	45 (RMB 9 thousand)	-
Dongguan Huashun (Note 6)	Sales of various vehicles and their components	74,925 (RMB 15,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(13,841) (RMB -2,750 thousand)	100.00	(13,841) (RMB -2,750 thousand)	(50,609) (RMB -10,132 thousand)	-
Tianjin Hwahong (Note 6)	Sales of various vehicles and their components	299,700 (RMB 60,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	8,450 (RMB 1,679 thousand)	100.00	8,450 (RMB 1,679 thousand)	275,499 (RMB 55,155 thousand)	-
Guangzhou Huayou Motor Sales (Note 6)	Sales of various vehicles and their components	9,990 (RMB 2,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(8,561) (RMB -1,701 thousand)	100.00	(8,561) (RMB -1,701 thousand)	(194,360) (RMB -38,911 thousand)	-
Gatech (Suzhou) Technology (Note 6)	Aluminum-magnesium alloy casting industry	797,648 (US\$ 24,300 thousand)	The Company indirectly owns these investees through investment company registered in a third region	665,264 (US\$ 20,267 thousand)	-	-	665,264 (US\$ 20,267 thousand)	47,508	72.81	47,508	595,622	-
Zhengzhou Tooling & Stamping (Note 6)	Design, manufacture, sales and providing technological services of molds, hardwares and stampings	62,438 (RMB 12,500 thousand)	The Company indirectly owns these investees through investment company registered in a third region	31,775 (US\$ 968 thousand)	-	-	31,775 (US\$ 968 thousand)	5,300 (US\$ 167 thousand)	29.86	3,174 (US\$ 100 thousand)	46,053 (US\$ 1,403 thousand)	21,894 (US\$ 667 thousand)

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$5,949,921 (US\$130,362 thousand and EUR46,566 thousand)	\$7,158,718 (US\$203,367 thousand EUR13,467 thousand)	\$29,709,207

Note 1: At exchange rate on December 31, 2015, US\$1= NT \$32.825, RMB1= NT \$4.995, EUR1= NT \$35.88.

Note 2: At exchange rate of average rate of the year ended December 31, 2015, US\$1= NT \$31.739, RMB1= NT \$5.033, EUR1= NT \$35.24.

Note 3: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements of the corresponding year.

Note 4: The amount of sales of parts and mold to South Eastern (Fujian) Motor for the year ended December 31, 2015 was \$35,260 thousand. The unrealized gross profit was \$6,390 thousand for the year ended December 31, 2015, and the payment terms were based on agreements.

Note 5: During the preparation of consolidated statements, the unrealized profit of \$12,283 thousand had been eliminated.

Note 6: Eliminated.

(Concluded)

**CHINA MOTOR CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	China Motor Corporation	Kian Shen	Subsidiary	Cost of goods sold	\$ 540,102	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	1.46
		COC	Subsidiary	Cost of goods sold	308,098	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.84
		Gatetech Technology	Subsidiary	Debt investments with no active market	150,000	The prices and payment terms were based on agreements.	0.24
		Sino Diamond Motors	Subsidiary	Other operating revenue	159,840	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.43
1	Hwa-Lin	Dongguan Huayi	Subsidiary	Other receivable	146,289	The prices and payment terms were based on agreements.	0.23
2	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Subsidiary	Other receivable	352,148	The prices and payment terms were based on agreements.	0.56
3	CMI	Hwa Wei Holdings	Subsidiary	Equity-method investment	1,428,503	The prices and payment terms were based on agreements.	2.28

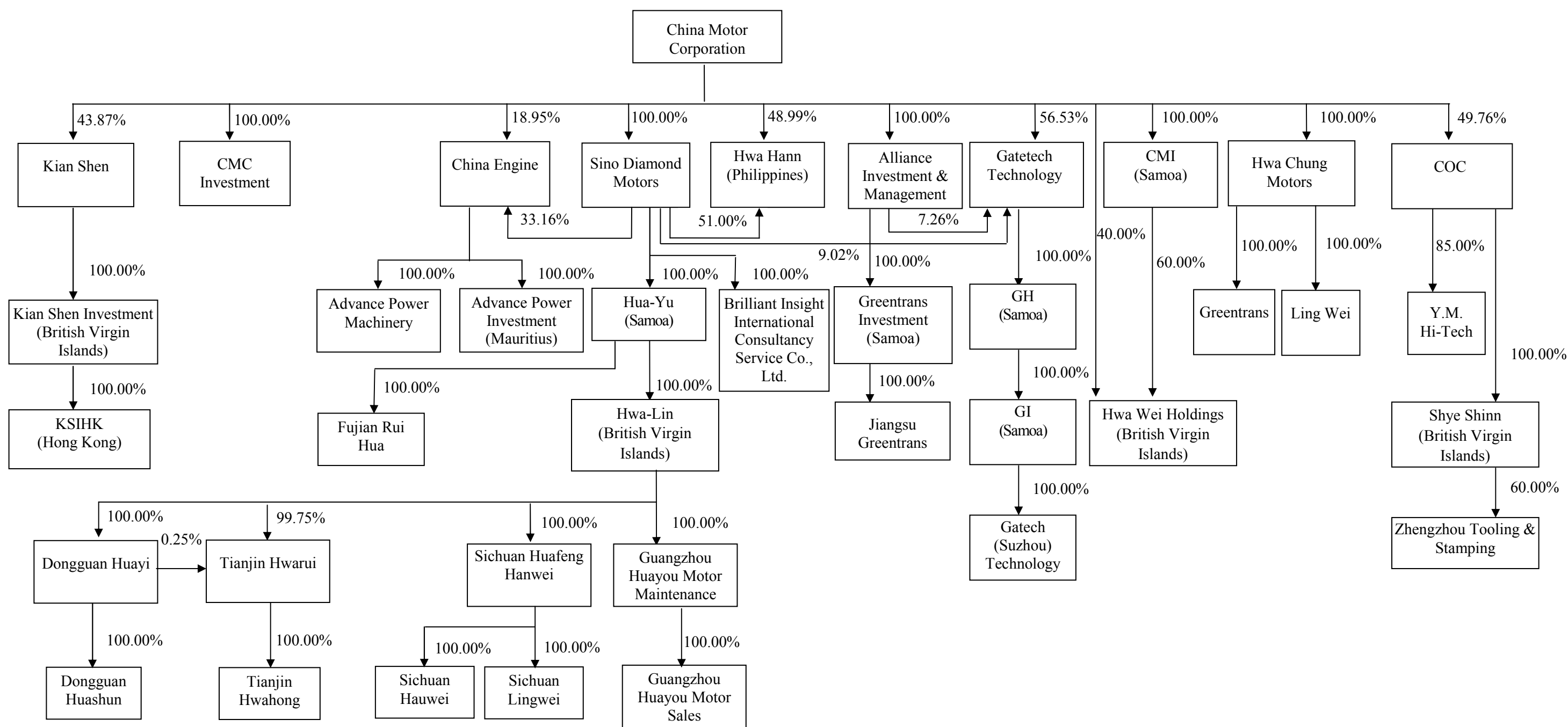
Note 1: Eliminated.

Note 2: This table includes transactions for amounts over one hundred million.

TABLE 10

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY INVESTMENT RELATIONSHIPS AND RATE OF SHARE HELD FRAMEWORK  
DECEMBER 31, 2015



# Financial Highlights

## V. Financial Statements and Appendix of the Corporation

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders  
China Motor Corporation

We have audited the accompanying balance sheets of China Motor Corporation (the "Corporation") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2015 and 2014 of Daimler Vans Hong Kong Ltd., Shung Ye Motors Corporation and Uni Auto Parts Manufacture Co., Ltd. in which the Corporation had equity-method investments, as shown in the accompanying financial statements. These investments were 3.5% (NT\$1,976,546 thousand) and 3.5% (NT\$1,908,200 thousand) of the Corporation's total assets as of December 31, 2015 and 2014, respectively. The Corporation's equity of NT\$114,701 thousand in their comprehensive loss and equity of NT\$124,761 thousand in their comprehensive income were 4.3 % and 3.9 %, respectively. These investees' financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 28, 2016



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.*

## CHINA MOTOR CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (Restated)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 10,378,451	18	\$ 9,022,297	16
Financial assets at fair value through profit or loss (Notes 4 and 7)	63,016	-	295,575	1
Available-for-sale financial assets (Notes 4 and 8)	627,043	1	1,331,400	2
Notes receivable, net (Notes 4 and 10)	106,582	-	108,044	-
Accounts receivable, net (Notes 4 and 10)	391,490	1	453,433	1
Trade receivables from related parties (Notes 4 and 25)	1,050,899	2	1,096,417	2
Other receivables (Note 4)	52,248	-	26,809	-
Inventories (Notes 4 and 11)	3,768,103	7	4,235,717	8
Other current assets (Notes 4, 9, 21, 25 and 26)	720,262	1	303,006	1
Total current assets	17,158,094	30	16,872,698	31
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets, net of current portion (Notes 4 and 8)	844,733	2	812,718	1
Financial assets measured at cost (Notes 4 and 12)	60,521	-	150,008	-
Debt investments with no active market (Notes 4 and 13)	2,250,079	4	1,446,118	3
Investments accounted for using the equity method (Notes 4 and 14)	30,931,631	55	30,990,570	56
Property, plant and equipment (Notes 4, 15 and 25)	3,502,485	6	3,370,510	6
Investment properties (Notes 4 and 16)	846,351	2	846,927	2
Intangible assets under development (Note 4)	180,379	-	218,187	-
Deferred tax assets (Notes 4 and 21)	415,609	1	420,591	1
Other non-current assets	67,887	-	46,974	-
Total non-current assets	39,099,675	70	38,302,603	69
<b>TOTAL</b>	<b>\$ 56,257,769</b>	<b>100</b>	<b>\$ 55,175,301</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,827,764	3	\$ 1,793,405	3
Trade payables to related parties (Note 25)	703,070	2	779,211	2
Other payables (Note 17)	2,110,796	4	2,015,462	4
Current tax liabilities (Notes 4 and 21)	136,533	-	204,799	-
Other current liabilities (Notes 4, 7, 9 and 25)	131,179	-	178,918	-
Total current liabilities	4,909,342	9	4,971,795	9
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	4,803	-	15,657	-
Net defined benefit liabilities (Notes 4 and 18)	1,820,670	3	1,739,530	3
Other non-current liabilities	7,609	-	7,061	-
Total non-current liabilities	1,833,082	3	1,762,248	3
Total liabilities	6,742,424	12	6,734,043	12
<b>EQUITY (Notes 4 and 19)</b>				
Ordinary shares	13,840,508	25	13,840,508	25
Capital surplus	6,404,906	11	6,392,369	12
Retained earnings				
Legal reserve	7,851,773	14	7,595,944	14
Special reserve	1,051,673	2	1,057,002	2
Unappropriated earnings	18,896,608	33	17,769,073	32
Total retained earnings	27,800,054	49	26,422,019	48
Other equity				
Exchange differences on translating foreign operations	571,137	1	750,561	1
Unrealized gain on available-for-sale financial assets	897,338	2	1,035,801	2
Total gains on effective portion of cash flow hedges (Note 9)	1,402	-	-	-
Total other equity	1,469,877	3	1,786,362	3
Total equity	49,515,345	88	48,441,258	88
<b>TOTAL</b>	<b>\$ 56,257,769</b>	<b>100</b>	<b>\$ 55,175,301</b>	<b>100</b>

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

(With Deloitte &amp; Touche audit report dated March 28, 2016)

# Financial Highlights

## CHINA MOTOR CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)				
Net sales	\$ 27,957,703	98	\$ 27,833,418	98
Other operating revenue	<u>489,528</u>	<u>2</u>	<u>439,265</u>	<u>2</u>
Total operating revenue	<u>28,447,231</u>	<u>100</u>	<u>28,272,683</u>	<u>100</u>
OPERATING COSTS (Notes 9, 11, 18, 20 and 25)				
Cost of goods sold	23,402,169	82	23,623,518	84
Other operating cost	<u>172,072</u>	<u>1</u>	<u>99,836</u>	<u>-</u>
Total operating costs	<u>23,574,241</u>	<u>83</u>	<u>23,723,354</u>	<u>84</u>
GROSS PROFIT	4,872,990	17	4,549,329	16
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>1,175</u>	<u>-</u>	<u>1,630</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,874,165</u>	<u>17</u>	<u>4,550,959</u>	<u>16</u>
OPERATING EXPENSES (Notes 4, 18, 20 and 25)				
Selling and marketing expenses	454,793	2	255,801	1
General and administrative expenses	543,130	2	535,229	2
Research and development expenses	<u>1,871,541</u>	<u>6</u>	<u>1,788,738</u>	<u>6</u>
Total operating expenses	<u>2,869,464</u>	<u>10</u>	<u>2,579,768</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>2,004,701</u>	<u>7</u>	<u>1,971,191</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries, associates and joint ventures (Notes 4 and 14)	1,168,256	4	703,646	3
Interest income (Note 4)	178,498	1	121,564	-
Other income	80,241	-	52,277	-
Gain on disposal of investments	23,692	-	35,538	-
Foreign exchange gain	-	-	62,718	-
Gains on financial instruments at fair value through profit or loss (Note 4)	9,787	-	-	-
Other expense	(2,238)	-	(5,877)	-
Foreign exchange loss	(5,715)	-	-	-
Losses on financial instruments at fair value through profit or loss (Note 4)	-	-	(9,035)	-
Impairment loss (Notes 4, 12 and 15)	<u>(2,118)</u>	<u>-</u>	<u>(34,904)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,450,403</u>	<u>5</u>	<u>925,927</u>	<u>3</u>

(Continued)

# Financial Highlights

## CHINA MOTOR CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restated)	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 3,455,104	12	\$ 2,897,118	10
INCOME TAX EXPENSE (Notes 4 and 21)	<u>289,000</u>	<u>1</u>	<u>339,000</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,166,104</u>	<u>11</u>	<u>2,558,118</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(86,408)	-	(18,101)	-
Share of other comprehensive loss of subsidiaries and associates	(110,433)	(1)	(50,335)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	14,689	-	3,094	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets (Note 19)	27,222	-	210,601	-
Total gains on effective portion of cash flow hedges (Note 19)	1,689	-	-	-
Share of the other comprehensive income (loss) of subsidiaries, associates and ventures accounted for using the equity method (Note 19)	(345,109)	(1)	520,460	2
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 19 and 21)	<u>(287)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the year (net of income tax)	<u>(498,637)</u>	<u>(2)</u>	<u>665,719</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,667,467</u>	<u>9</u>	<u>\$ 3,223,837</u>	<u>11</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	<u>\$ 2.32</u>		<u>\$ 1.88</u>	
Diluted	<u>\$ 2.32</u>		<u>\$ 1.87</u>	

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

(With Deloitte & Touche audit report dated March 28, 2016)

(Concluded)

# Financial Highlights

## CHINA MOTOR CORPORATION

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Gains on Effective Portion of Cash Flow Hedges	
BALANCE AT JANUARY 1, 2014	\$ 13,840,508	\$ 6,376,868	\$ 7,342,756	\$ 1,373,008	\$ 16,800,924	\$ 192,209	\$ 798,854	\$ -	\$ 46,725,127
Effect of retrospective application of IAS 19 "Employee Benefits" and retrospective restatement of financial statements	-	-	-	-	(657)	-	-	-	(657)
BALANCE AT JANUARY 1, 2014, AS RESTATED	<u>13,840,508</u>	<u>6,376,868</u>	<u>7,342,756</u>	<u>1,373,008</u>	<u>16,800,267</u>	<u>192,209</u>	<u>798,854</u>	<u>-</u>	<u>46,724,470</u>
Appropriation of 2013 earnings									
Legal reserve	-	-	253,188	-	(253,188)	-	-	-	-
Cash dividends distributed by the Corporation - NT\$1.1 per share	-	-	-	-	(1,522,456)	-	-	-	(1,522,456)
Reversal of special reserve	-	-	-	(316,006)	316,006	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	15,501	-	-	-	-	-	-	15,501
Acquisition of interests in subsidiaries	-	-	-	-	(94)	-	-	-	(94)
Net profit for the year ended December 31, 2014	-	-	-	-	2,558,118	-	-	-	2,558,118
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	(129,580)	558,352	236,947	-	665,719
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	2,428,538	558,352	236,947	-	3,223,837
BALANCE AT DECEMBER 31, 2014, AS RESTATED	13,840,508	6,392,369	7,595,944	1,057,002	17,769,073	750,561	1,035,801	-	48,441,258
Appropriation of the 2014 earnings									
Legal reserve	-	-	255,829	-	(255,829)	-	-	-	-
Cash dividends distributed by the Corporation - NT\$1.15 per share	-	-	-	-	(1,591,658)	-	-	-	(1,591,658)
Reversal of special reserve	-	-	-	(5,329)	5,329	-	-	-	-
Change from investments in associates and joint ventures accounted for by using equity method	-	12,537	-	-	(14,209)	-	-	-	(1,672)
Acquisition of interests in subsidiaries	-	-	-	-	(50)	-	-	-	(50)
Net profit for the year ended December 31, 2015	-	-	-	-	3,166,104	-	-	-	3,166,104
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(182,152)	(179,424)	(138,463)	1,402	(498,637)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	2,983,952	(179,424)	(138,463)	1,402	2,667,467
BALANCE AT DECEMBER 31, 2015	<u>\$ 13,840,508</u>	<u>\$ 6,404,906</u>	<u>\$ 7,851,773</u>	<u>\$ 1,051,673</u>	<u>\$ 18,896,608</u>	<u>\$ 571,137</u>	<u>\$ 897,338</u>	<u>\$ 1,402</u>	<u>\$ 49,515,345</u>

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

(With Deloitte & Touche auditors' report dated March 28, 2016)

# Financial Highlights

## CHINA MOTOR CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,455,104	\$ 2,897,118
Adjustments for:		
Depreciation expenses	604,881	461,395
Amortization expenses	66,986	53,821
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	(9,787)	9,035
Interest expense	131	88
Interest income	(178,498)	(121,564)
Dividend income	(52,144)	(23,516)
Share of profit of subsidiaries, associates and joint ventures accounted for by the equity method	(1,168,256)	(703,646)
Gain on disposal of property, plant and equipment	(6,944)	(4,297)
Impairment loss	2,118	34,904
Realized gain on the transactions with associates	(1,175)	(1,630)
Unrealized net loss (gain) on foreign currency exchange	65,492	(42,757)
Changes in operating assets and liabilities		
Financial assets held for trading	242,609	64,216
Notes receivable	1,462	16,190
Accounts receivable	59,535	(150,073)
Trade receivables from related parties	44,045	(9,592)
Other receivables	(432)	38,622
Inventories	467,614	(281,781)
Other current assets	(419,561)	258,442
Accounts payable	33,717	(246,142)
Payables to related parties	(81,735)	27,178
Other payables	61,613	264,357
Other current liabilities	(48,265)	42,619
Net defined benefit liabilities	(5,268)	15,124
Cash generated from operations	3,133,242	2,598,111
Income tax paid	(344,515)	(183,507)
Net cash generated from operating activities	<u>2,788,727</u>	<u>2,414,604</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in financial assets designated as at fair value through profit or loss upon initial recognition	36	67,780
Decrease (increase) decrease in available-for-sale financial assets	699,564	(169,266)
Acquisition of debt investments with no active market	(899,612)	(980,584)
Proceeds from the repayments of principal of debt investments with no active market	76,387	291,748
Proceeds from capital reduction of financial assets at cost	87,369	11,620
Acquisition of investments accounted for using the equity method	(197,393)	(317,821)

(Continued)

# Financial Highlights

## CHINA MOTOR CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restated)
Proceeds from the disposal of investments accounted for using the equity method	\$ 29	\$ 180
Proceeds from capital reduction of investments accounted for using equity method	282,158	329,349
Acquisition of property, plant and equipment	(783,003)	(1,046,566)
Proceeds from disposal of property, plant and equipment	53,667	28,690
Acquisition of intangible assets	-	(92,650)
Increase in other non-current assets	(50,091)	(23,684)
Interest received	151,101	111,148
Dividends received	<u>738,456</u>	<u>766,542</u>
Net cash generated from (used in) investing activities	<u>158,668</u>	<u>(1,023,514)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term borrowings	-	(6,026)
Increase in other non-current liabilities	548	607
Cash dividends paid	(1,591,658)	(1,522,456)
Interest paid	<u>(131)</u>	<u>(88)</u>
Net cash used in financing activities	<u>(1,591,241)</u>	<u>(1,527,963)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,356,154	(136,873)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>9,022,297</u>	<u>9,159,170</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 10,378,451</u>	<u>\$ 9,022,297</u>

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

(With Deloitte & Touche audit report dated March 28, 2016)

(Concluded)

## CHINA MOTOR CORPORATION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 1. GENERAL INFORMATION

China Motor Corporation (the “Corporation”) manufactures and sells cars and related parts. Its stock is listed on the Taiwan Stock Exchange.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompany financial statements were approved by the board of directors and authorized for issue on March 28, 2016.

#### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Corporation should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Corporation’s accounting policies:

- 1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 24 for related disclosures.

- 2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

# Financial Highlights

The Corporation retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of the comprehensive income of subsidiaries and associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of subsidiaries, associates and joint ventures accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

### 3) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to investments accounted for using the equity method, retained earnings, operating expenses, non-operating income and expenses, remeasurement of defined benefit plans, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and diluted earnings per share, the carrying amount of inventories is not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Corporation elects not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact in the year of 2014 is set out below:

<b>Restated</b>	<b>December 31, 2014</b>	<b>January 1, 2014</b>
Investments accounted for using the equity method	\$ (702)	\$ (657)
Retained earnings	(702)	(657)
Operating expenses	99	-
Non-operating expenses	(73)	-
Remeasurement of defined benefit plans	99	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	28	-
Diluted earnings per share	(0.01)	-

# Financial Highlights

## b. New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Corporation should apply IFRS 15 starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Corporation has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

# Financial Highlights

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation's accounting policies, except for the following:

## IFRS 9 "Financial Instruments"

### 1) Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

### 2) The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

# Financial Highlights

For purchased or originated credit-impaired financial assets, the Corporation takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

## 3) Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

### b. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

In preparing its financial statements, the Corporation used the equity method to account for its investment in subsidiaries, associates and joint ventures. For the amounts of the net profit for the year, other comprehensive income for the year and total equity in the Corporation's financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments were made to remove the differences in accounting treatment between the stand-alone basis and the consolidated basis in investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items.

# Financial Highlights

## c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months from the balance sheet date; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

## d. Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period in which these differences arise, but if a gain or loss on a nonmonetary item is recognized in other comprehensive income, any foreign exchange component of this gain or loss is also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

# Financial Highlights

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

## e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

## f. Investments accounted for using equity method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

### 1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Corporation.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Corporation also recognizes the Corporation's share of the change in other equity of the subsidiary.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary equals or exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

# Financial Highlights

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

## 2) Investment in associates and joint ventures

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Corporation uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and joint venture. The Corporation also recognizes the changes in the Corporation's share of equity of associates and joint venture attributable to the Corporation. The Corporation's equity in the investees' net income or net loss is calculated using the treasury stock method when investees also have investments in the Corporation (reciprocal holding).

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

When the Corporation subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate and joint venture. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation's share of equity of associates and joint ventures. If the Corporation's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture, the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

# Financial Highlights

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Corporation continues to apply the equity method and does not remeasure the retained interest.

When an entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Corporation's financial statements only to the extent of interests in the associate and the joint venture that are not related to the Corporation.

## g. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation expenses, except those for molds (included in machinery) which are amortized using the production unit method, are computed using the straight-line method over service lives. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## i. Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

# Financial Highlights

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if all of the following have been demonstrated:

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) The intention to complete the intangible asset and use or sell it;
- 3) The ability to use or sell the intangible asset;
- 4) How the intangible asset will generate probable future economic benefits;
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured at cost less accumulated amortization and accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

## j. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization expenses or depreciation expenses) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## k. Financial instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

# Financial Highlights

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

#### i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 24.

#### ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

# Financial Highlights

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

### iii. Loans and receivables

Loans and receivables (including cash and cash equivalent, trade receivables and account receivables (including related parties), other receivables, debt investments with no active market, other financial assets (included in other current assets) and guarantee deposits paid (included in other non-current assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

### b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

# Financial Highlights

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

## c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

## 2) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward foreign exchange contracts, convertible bonds, convertible preferred stocks and foreign exchange swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

### 1. Hedge accounting

The Corporation designates certain hedging instruments for as cash flow hedges.

# Financial Highlights

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## m. Provisions

Provisions, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Corporation's obligation by the management of the Corporation.

## n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

### 1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# Financial Highlights

## 2) Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

## 3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

## 4) Dividend and interest income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## o. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

## p. Employee benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

# Financial Highlights

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan.

## q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### 1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

### b. Fair value measurements and valuation processes

If some of the Corporation's assets and liabilities measured at fair value have no quoted prices in active markets, the Corporation determines whether to engage third party qualified valuers and determines the appropriate valuation techniques for fair value measurements in accordance relevant regulations and judgement.

Where Level 1 inputs are not available, the Corporation or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities and specific features of the existing lease contracts and rentals of similar properties in the vicinity of the Corporation's investment properties. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Corporation updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 16 and 24.

### c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

### d. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

# Financial Highlights

e. Useful lives of property, plant and equipment

The Corporation reviews the estimated useful lives, the depreciation method and the residual value of property, plant and equipment at each balance sheet date. Significant changes in depreciation methods influence the recognition of related depreciation expenses.

f. Impairment of investment in the associate

The Corporation immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Corporation's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Corporation also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

g. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

h. Impairment of tangible and intangible assets

The Corporation's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including the assumptions about the growth rate of sale and capacity of production facilities estimated by the associate's management, etc. The Corporation also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

i. Control over subsidiaries

Note 14 shows that a few investees have been treated as subsidiaries of the Corporation although the Corporation's equity interests in them did not each exceed 50 percent. This treatment has been made because, after considering the Corporation's absolute size of holdings in the companies and the relative sizes of and dispersion of the shareholdings owned by the other shareholders, as well as the shareholders' not having any arrangements to consult each other or make collective decisions, the management concluded that the Corporation has sufficiently dominant voting interests to direct the relevant activities of the investees; thus, the Corporation has control over the companies.

j. Significant influence over associates

Note 14 shows that several companies have been treated as associates of the Corporation although the Corporation holds only less than 20% of the voting power in each of these companies. This treatment has been made because the Corporation has significant influence over these companies by virtue of its right to appoint the directors to the board of directors of these companies.

# Financial Highlights

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Cash		
Cash on hand	\$ 5,225	\$ 6,815
Checking accounts and demand deposits	<u>940,447</u>	<u>214,838</u>
	<u>945,672</u>	<u>221,653</u>
Cash equivalents		
Time deposits	7,715,750	6,340,048
Repurchase agreements collateralized by bonds	<u>1,717,029</u>	<u>2,460,596</u>
	<u>9,432,779</u>	<u>8,800,644</u>
	<u>\$ 10,378,451</u>	<u>\$ 9,022,297</u>

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and repurchase agreements collateralized by bonds that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The interest rate intervals of cash on bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Checking accounts and demand deposits	0.00%-0.50%	0.00%-0.66%
Time deposits	0.50%-1.35%	0.65%-4.00%
Repurchase agreements collateralized by bonds	0.40%-0.42%	0.58%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets - current</u>		
Financial assets designated as at FVTPL		
Convertible bonds	\$ <u>61,103</u>	\$ <u>59,700</u>
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	-	145,963
Domestic listed shares	<u>-</u>	<u>89,856</u>
	<u>-</u>	<u>235,819</u>
Derivative financial assets		
Preferred stock options	<u>1,913</u>	<u>56</u>
	<u>\$ 63,016</u>	<u>\$ 295,575</u>
<u>Financial liabilities - current (included in other - current liabilities)</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Foreign exchange swaps	<u>\$ 299</u>	<u>\$ -</u>

# Financial Highlights

At the end of the reporting period, outstanding foreign exchange swaps not under hedge accounting were as follows:

December 31, 2015

Notional Amounts	Maturity Date	Exchange Rate-buy	Exchange Rate-sell
EUR 1,672	2016.06.23	1.0865 (EUR:USD)	1.0922 (EUR:USD)

The Corporation entered into foreign exchange swaps in 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2015	2014
<u>Current</u>		
Domestic investments		
Mutual funds	\$ 622,739	\$ 1,329,771
Listed shares	<u>4,304</u>	<u>1,629</u>
	<u>\$ 627,043</u>	<u>\$ 1,331,400</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ 844,733</u>	<u>\$ 812,718</u>

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGING

	<u>December 31</u>	
	2015	2014
Derivative financial assets under hedge accounting - current <u>(included in other current assets)</u>		
Forward foreign exchange contracts	<u>\$ 1,916</u>	<u>\$ -</u>
Derivative financial liabilities under hedge accounting - current <u>(included in other current liabilities)</u>		
Forward foreign exchange contracts	<u>\$ 227</u>	<u>\$ -</u>

The Corporation's hedge strategy is to use forward exchange contracts to prevent any adverse foreign currency exposure on its projected Japanese yen (JPY) purchases. When projected purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

# Financial Highlights

The outstanding forward foreign exchange contracts at the end of the reporting period were as follows:

<b>Transaction</b>	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2015</u>			
Buy	JPY/NTD	2016.01.29-2016.03.04	JPY700,000/NTD189,930

Spot contracts amounting to \$795 thousand and used from January 1, 2015 to December 31, 2015 and forward exchange contracts amounting to \$30,696 thousand were used as hedging instruments. These contracts were reclassified from equity to cost of goods sold.

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 107,658	\$ 109,136
Less: Allowance for impairment loss	<u>(1,076)</u>	<u>(1,092)</u>
	<u>\$ 106,582</u>	<u>\$ 108,044</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 395,436	\$ 457,985
Less: Allowance for impairment loss	<u>(3,946)</u>	<u>(4,552)</u>
	<u>\$ 391,490</u>	<u>\$ 453,433</u>

In determining the recoverability of notes receivable and accounts receivable, the Corporation considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. Due to insignificant risks on the recoverability of the Corporation's notes receivable and accounts receivable historically, allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the notes receivable and accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
0 day	\$ 489,212	\$ 563,968
1-60 days	13,452	3,153
61-90 days	<u>430</u>	<u>-</u>
	<u>\$ 503,094</u>	<u>\$ 567,121</u>

# Financial Highlights

The above aging schedule was based on the past due date.

The allowance for impairment loss of receivable of the Corporation was collectively assessed, the movements were as follows:

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 5,644	\$ 4,292
Add: Impairment losses recognized on receivables	-	1,352
Deduct: Impairment losses reversed	<u>(622)</u>	<u>-</u>
Balance at December 31	<u>\$ 5,022</u>	<u>\$ 5,644</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Finished goods	\$ 1,715,073	\$ 2,056,454
Work in progress	41,801	39,052
Raw materials	1,477,809	1,607,159
Materials in transit	<u>533,420</u>	<u>533,052</u>
	<u>\$ 3,768,103</u>	<u>\$ 4,235,717</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was \$23,402,169 thousand and \$23,623,518 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 included the reversal of inventories write-downs of \$3,700 thousand and \$23,001 thousand, respectively. Previous write-downs were reversed as a result of disposal of obsolete inventories.

## 12. FINANCIAL ASSETS MEASURED AT COST

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Domestic unlisted common shares	\$ 56,937	\$ 144,306
Overseas unlisted common shares	<u>3,584</u>	<u>5,702</u>
	<u>\$ 60,521</u>	<u>\$ 150,008</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 60,521</u>	<u>\$ 150,008</u>

Management believed that the above unlisted equity investments held by the Corporation, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

The Corporation recognized impairment losses of \$2,118 thousand and \$20,491 thousand in 2015 and 2014, respectively, on these investments based on cash flow in the future and market return rate.

# Financial Highlights

## 13. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Bonds	\$ 1,956,471	\$ 1,155,842
Preferred stocks	<u>293,608</u>	<u>290,276</u>
	<u>\$ 2,250,079</u>	<u>\$ 1,446,118</u>

The range of bonds' coupon rate was 1.88%-5.88% per annum as both of December 31, 2015 and 2014. The range of preferred stocks' coupon rate was 3.25% per annum as both of December 31, 2015 and 2014.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Investments in subsidiaries	\$ 11,194,423	\$ 11,347,964
Investments in associates	18,468,117	18,404,485
Investments in joint ventures	<u>1,269,091</u>	<u>1,238,121</u>
	<u>\$ 30,931,631</u>	<u>\$ 30,990,570</u>

### a. Investments in subsidiaries

<b>Name of Subsidiaries</b>	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Listed companies		
Kian Shen	<u>\$ 1,706,806</u>	<u>\$ 1,583,029</u>
Unlisted companies		
Sino Diamond Motors	2,948,447	2,994,854
Alliance Investment & Management	1,745,500	1,672,498
CMC Investment	1,725,691	1,788,115
China Motor Investment	1,173,642	1,422,782
Hwa Wei Holdings	774,562	828,820
COC Tooling & Stamping	677,433	630,687
Gatetech Technology	212,943	203,735
China Engine	164,924	154,941
Hwa Chung Motors	64,475	66,018
Hwa Hann	<u>-</u>	<u>2,485</u>
	<u>9,487,617</u>	<u>9,764,935</u>
	<u>\$ 11,194,423</u>	<u>\$ 11,347,964</u>

# Financial Highlights

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31	
	2015	2014
Listed company		
Kian Shen	43.87%	43.87%
Unlisted companies		
Sino Diamond Motors	100.00%	100.00%
Alliance Investment & Management	100.00%	100.00%
CMC Investment	100.00%	100.00%
China Motor Investment	100.00%	100.00%
Hwa Wei Holdings	40.00%	100.00%
COC Tooling & Stamping	49.76%	49.76%
Gatetech Technology	56.53%	56.53%
China Engine	18.95%	18.95%
Hwa Chung Motors	100.00%	100.00%
Hwa Hann	48.99%	48.99%

Although the Corporation and its subsidiaries' equity interests in Kian Shen and COC Tooling & Stamping did not each exceed 50%, the Corporation had control over these investees. Thus, Kian Shen and COC Tooling & Stamping were included in the Corporation's consolidated financial statements.

The Corporation's investments in China Engine, although less than 20% of the investee's outstanding common shares, was accounted for by using the equity method since the combined investments of the Corporation and its subsidiaries in these companies exceeded 50% of their respective outstanding common shares.

Hwa Wei Holdings ("Hwa Wei") issued shares to increase its cash capital by \$228,503 thousand. These shares were all acquired by China Motor Investment (CMI). Hwa Wei also issued shares as repayment of its debt of \$1,200,000 thousand to CMI. In these intra-Group share transactions, the Group's combined shareholding ratio in Hwa Wei did not change.

The board of Hwa Hann had decided to dissolve the Corporation in April 2009. The liquidation had not been completed as of December 31, 2015.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of these investments were recognized on the basis of the subsidiaries' audited financial statements.

## b. Investments in associates

Associate	December 31	
	2015	2014
Material associates		
Yulon	\$ 10,495,656	\$ 10,301,122
Associates that are not individually material	<u>7,972,461</u>	<u>8,103,363</u>
	<u>\$ 18,468,117</u>	<u>\$ 18,404,485</u>

# Financial Highlights

## 1) Material associates

The Corporation holds 15.06% of interest in Yulon on December 31, 2015 and 2014, respectively.

Refer to Table 7 for the nature of activities, principal place of business and country of incorporation of the associates.

The Corporation exercises significant influence over Yulon and applies the equity method of accounting because the Corporation and Yulon share the same president of the board even though the Corporation holds less than 20% of interest in Yulon.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on the associates' financial statements that have been audited.

Fair value (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associate	December 31	
	2015	2014
Yulon	\$ <u>7,154,401</u>	\$ <u>11,015,882</u>

Above associates are accounted for using the equity method.

The summarized financial information below represents amounts shown in the associates' consolidated financial statements prepared in accordance with IFRSs adjusted by the Corporation for equity accounting purposes.

### Yulon

	December 31	
	2015	2014
Current assets	\$ 122,157,795	\$ 108,805,788
Non-current assets	89,844,295	94,036,899
Current liabilities	(118,623,293)	(112,688,582)
Non-current liabilities	<u>(12,197,154)</u>	<u>(10,005,385)</u>
Equity	81,181,643	80,148,720
Non-controlling interests	<u>(9,703,719)</u>	<u>(10,147,699)</u>
	\$ <u>71,477,924</u>	\$ <u>70,001,021</u>
Proportion of the Corporation's ownership	15.06%	15.06%
Equity attributable to the Corporation	\$ 10,764,575	\$ 10,542,154
Cross shareholdings	<u>(268,919)</u>	<u>(241,032)</u>
Carrying amount	\$ <u>10,495,656</u>	\$ <u>10,301,122</u>

# Financial Highlights

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenue	<u>\$ 122,525,821</u>	<u>\$ 120,610,516</u>
Net profit for the year	\$ 3,919,292	\$ 2,809,406
Other comprehensive income	<u>(907,689)</u>	<u>1,530,098</u>
Total comprehensive income for the year	<u>\$ 3,011,603</u>	<u>\$ 4,339,504</u>
Dividends received from Yulon	<u>\$ 165,830</u>	<u>\$ 165,830</u>

## 2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
The Corporation's share of:		
Net profit for the year	\$ 702,776	\$ 651,741
Other comprehensive income (loss)	<u>(128,677)</u>	<u>39,070</u>
Total comprehensive income for the year	<u>\$ 574,099</u>	<u>\$ 690,811</u>

Above associates are accounted for using the equity method.

Investments in associates that are not individually material were accounted for by the equity method although the Corporation holds less than 20% interest since the Corporation exercises significant influence on their major transactions or shares the same president of the board.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on the associates' financial statements that have been audited.

## c. Investments in joint ventures

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Joint ventures that are not individually material	<u>\$ 1,269,091</u>	<u>\$ 1,238,121</u>

## Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
The Corporation's share of:		
Net profit (loss) for the year	\$ (162,750)	\$ 27,051
Other comprehensive income (loss)	<u>(3,673)</u>	<u>48,614</u>
Total comprehensive income (loss) for the year	<u>\$ (166,423)</u>	<u>\$ 75,665</u>

Above associates are accounted for using the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on the joint ventures' financial statements that have been audited.

# Financial Highlights

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2014	\$ 733,296	\$ 73,585	\$ 3,222,859	\$ 20,552,307	\$ 1,024,599	\$ 508,860	\$ 26,115,506
Additions	-	-	-	625	63,977	981,964	1,046,566
Disposals	-	-	-	(589,851)	(51,799)	-	(641,650)
Reclassifications	(68,221)	806	(168,398)	844,856	28,499	(888,420)	(250,878)
Balance at December 31, 2014	<u>\$ 665,075</u>	<u>\$ 74,391</u>	<u>\$ 3,054,461</u>	<u>\$ 20,807,937</u>	<u>\$ 1,065,276</u>	<u>\$ 602,404</u>	<u>\$ 26,269,544</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014		\$ 70,125	\$ 2,623,273	\$ 19,658,736	\$ 842,726	\$ -	\$ 23,194,860
Disposals		-	-	(589,466)	(27,791)	-	(617,257)
Depreciation expense and impairment losses		1,002	60,968	356,847	38,151	-	456,968
Reclassifications		-	(135,537)	-	-	-	(135,537)
Balance at December 31, 2014		<u>\$ 71,127</u>	<u>\$ 2,548,704</u>	<u>\$ 19,426,117</u>	<u>\$ 853,086</u>	<u>\$ -</u>	<u>\$ 22,899,034</u>
Carrying amounts at December 31, 2014	<u>\$ 665,075</u>	<u>\$ 3,264</u>	<u>\$ 505,757</u>	<u>\$ 1,381,820</u>	<u>\$ 212,190</u>	<u>\$ 602,404</u>	<u>\$ 3,370,510</u>
<u>Cost</u>							
Balance at January 1, 2015	\$ 665,075	\$ 74,391	\$ 3,054,461	\$ 20,807,937	\$ 1,065,276	\$ 602,404	\$ 26,269,544
Additions	-	-	-	-	11,815	771,188	783,003
Disposals	-	-	-	(375,090)	(76,647)	-	(451,737)
Reclassifications	-	10,050	931	805,694	29,732	(866,627)	(20,220)
Balance at December 31, 2015	<u>\$ 665,075</u>	<u>\$ 84,441</u>	<u>\$ 3,055,392</u>	<u>\$ 21,238,541</u>	<u>\$ 1,030,176</u>	<u>\$ 506,965</u>	<u>\$ 26,580,590</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015		\$ 71,127	\$ 2,548,704	\$ 19,426,117	\$ 853,086	\$ -	\$ 22,899,034
Disposals		-	-	(373,474)	(31,540)	-	(405,014)
Depreciation expense		955	67,708	487,167	31,694	-	587,524
Reclassifications		236	(3,675)	(29,704)	29,704	-	(3,439)
Balance at December 31, 2015		<u>\$ 72,318</u>	<u>\$ 2,612,737</u>	<u>\$ 19,510,106</u>	<u>\$ 882,944</u>	<u>\$ -</u>	<u>\$ 23,078,105</u>
Carrying amounts at December 31, 2015	<u>\$ 665,075</u>	<u>\$ 12,123</u>	<u>\$ 442,655</u>	<u>\$ 1,728,435</u>	<u>\$ 147,232</u>	<u>\$ 506,965</u>	<u>\$ 3,502,485</u>

Except for tooling (included in machinery) depreciated on an expected production quantity basis, the above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Category	
Land improvements	3-20 years
Buildings	3-55 years
Machinery	3-15 years
Other equipment	3-15 years

The estimated future cash flows expected to arise from the related machinery was decreased, since several types of vehicle went out of production. Thus, the Corporation recognized impairment loss for \$11,820 thousand in 2014.

# Financial Highlights

## 16. INVESTMENT PROPERTIES

### Cost

Balance at January 1, 2014	\$ 1,007,807
Reclassification	<u>250,878</u>

Balance at December 31, 2014	<u>\$ 1,258,685</u>
------------------------------	---------------------

### Accumulated depreciation and impairment

Balance at January 1, 2014	\$ 259,974
Depreciation expense	16,247
Reclassification	<u>135,537</u>

Balance at December 31, 2014	<u>\$ 411,758</u>
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Carrying amounts at December 31, 2014	<u>\$ 846,927</u>
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### Cost

Balance at January 1, 2015	\$ 1,258,685
Reclassification	<u>20,220</u>

Balance at December 31, 2015	<u>\$ 1,278,905</u>
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### Accumulated depreciation and impairment

Balance at January 1, 2015	\$ 411,758
Depreciation expense	17,357
Reclassification	<u>3,439</u>

Balance at December 31, 2015	<u>\$ 432,554</u>
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Carrying amounts at December 31, 2015	<u>\$ 846,351</u>
---------------------------------------	-------------------

The investment properties held by the Corporation were depreciated over their estimated 10-60 years useful lives, using the straight-line method.

The fair value of investment properties of the Corporation were \$1,434,060 thousand and \$1,404,967 thousand as of December 31, 2015 and 2014, respectively. Except for a part of investment properties appraised by the independent valuer, Po Hung Chen, as of December 31, 2015 and 2014, others as of December 31, 2015 and 2014 were appraised by the management using evaluation model which the market participants frequently used. The valuer's valuation was reference to similar properties' market transaction and the valuer used weighted analysis of cost and revenue method (assuming discount rate is 3.18% and 3.22% and capitalization rate is both 2.24% as of December 31, 2015 and 2014, respectively).

# Financial Highlights

## 17. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries or bonus	\$ 999,032	\$ 965,155
Payable for taxes	170,378	168,538
Payable for warranties	138,627	115,128
Payable for development costs	136,196	158,976
Payable for royalties	13,032	172,292
Others	<u>653,531</u>	<u>435,373</u>
	<u>\$ 2,110,796</u>	<u>\$ 2,015,462</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation’s defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 1,868,681	\$ 1,807,076
Fair value of plan assets	<u>(48,011)</u>	<u>(67,546)</u>
Net defined benefit liability	<u>\$ 1,820,670</u>	<u>\$ 1,739,530</u>

# Financial Highlights

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2014	\$ 1,775,155	\$ (68,850)	\$ 1,706,305
Service cost			
Current service cost	40,563	-	40,563
Net interest expense (income)	33,284	(1,475)	31,809
Recognized in loss (profit)	<u>73,847</u>	<u>(1,475)</u>	<u>72,372</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1	1
Actuarial loss - changes in demographic assumptions	895	-	895
Actuarial loss - experience adjustments	17,205	-	17,205
Recognized in other comprehensive income	<u>18,100</u>	<u>1</u>	<u>18,101</u>
Contributions from the employer	-	(19,125)	(19,125)
Benefits paid	(21,903)	21,903	-
Company paid	<u>(38,123)</u>	<u>-</u>	<u>(38,123)</u>
Balance at December 31, 2014	<u>1,807,076</u>	<u>(67,546)</u>	<u>1,739,530</u>
Service cost			
Current service cost	39,420	-	39,420
Past service cost	18,569	-	18,569
Net interest expense (income)	33,883	(1,446)	32,437
Recognized in loss (profit)	<u>91,872</u>	<u>(1,446)</u>	<u>90,426</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(84)	(84)
Actuarial loss - changes in demographic assumptions	11,775	-	11,775
Actuarial loss - changes in financial assumptions	56,410	-	56,410
Actuarial loss - experience adjustments	18,307	-	18,307
Recognized in other comprehensive income	<u>86,492</u>	<u>(84)</u>	<u>86,408</u>
Contributions from the employer	-	(18,641)	(18,641)
Benefits paid	(39,706)	39,706	-
Company paid	<u>(77,053)</u>	<u>-</u>	<u>(77,053)</u>
Balance at December 31, 2015	<u>\$ 1,868,681</u>	<u>\$ 48,011</u>	<u>\$ 1,820,670</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating costs	\$ 50,300	\$ 40,192
Selling and marketing expenses	3,211	2,550
General and administrative expenses	6,403	5,382
Research and development expenses	<u>28,743</u>	<u>22,608</u>
	<u>\$ 88,657</u>	<u>\$ 70,732</u>

# Financial Highlights

The amount of disbursement of defined benefit plans of associates is \$1,769 thousand and \$1,640 thousand in 2015 and 2014, respectively.

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2015	2014
Discount rate	1.625%	1.875%
Expected rate of salary increase	1.000%	1.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31, 2015</b>
Discount rate	
0.25% increase	<u>\$ (56,497)</u>
0.25% decrease	<u>\$ 58,926</u>
Expected rate of salary increase	
0.25% increase	<u>\$ 58,118</u>
0.25% decrease	<u>\$ (55,984)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 913,835</u>	<u>\$ 19,101</u>
The average duration of the defined benefit obligation	12.6 years	13.1 years

# Financial Highlights

## 19. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Numbers of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Amount of shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,384,051</u>	<u>1,384,051</u>
Shares issued	<u>\$ 13,840,508</u>	<u>\$ 13,840,508</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and the right to dividends.

### b. Capital surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>		
Arising from conversion of bonds	\$ 5,183,923	\$ 5,183,923
Arising from issuance of common shares	1,184,920	1,184,920
Others	4,666	4,666
<u>May be used to offset a deficit only</u>		
Arising from changes in percentage of ownership interest in subsidiaries (Note 2)	2,225	2,225
Arising from share of changes in capital surplus of associates	<u>29,172</u>	<u>16,635</u>
	<u>\$ 6,404,906</u>	<u>\$ 6,392,369</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

Note 2: Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

### c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that legal reserve should be appropriated at 10% of annual net income less any accumulated deficit. The remaining net income should be appropriated as follows:

- 1) 0.5% as remuneration of directors and supervisors except independent directors;
- 2) 0.1% to 5% as employees' bonus in the form of cash or stock. The Company may issue stock bonuses to the employees of an affiliated company under conditions set by the board of directors;
- 3) The remainder plus undistributed earnings from prior years, to be distributed as dividends as recommended by the board of directors and approved by the stockholders in their meeting.

# Financial Highlights

The operating of the Corporation is considered as a mature and steady industry. In determining dividend amounts, the Corporation takes its future capital expenditures and related factors into account and also seeks to uphold the stockholders' interests and realize the Corporation's long-term financial plan. Dividends are in the form of cash or stock. The Company's policy is that cash dividends should be at least 20% of total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors in December 2015 and are subject to the resolution of the shareholders in their meeting to be held in June 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 20.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse to a special reserve.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

All stockholders receiving the dividends are not allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation when appropriating the earnings before 1997. Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation when appropriating the earnings after 1998.

The appropriations from the 2014 and 2013 earnings had been approved in the stockholders' meetings in June 2015 and 2014. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2014</b>	<b>For Year 2013</b>	<b>For Year 2014</b>	<b>For Year 2013</b>
Legal reserve	\$ 255,829	\$ 253,188	\$ -	\$ -
Cash dividends	1,591,658	1,522,456	1.15	1.1

Special reserve reversal \$316,006 thousand was approved in the stockholders' meeting in June 2014.

The appropriation of the earnings was proposed by the board of directors on March 28, 2016. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 316,610	\$ -
Cash dividends	2,076,076	1.5

The appropriations of earnings for 2015 are subject to the resolution of the stockholders meeting to be held in June 2016.

# Financial Highlights

## d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning at January 1	\$ 1,057,002	\$ 1,373,008
Reversal:		
Disposal of subsidiaries and associates	(5,315)	-
Disposal of property, plant and equipment	(14)	-
Reversal of the debit to other equity items	<u>-</u>	<u>(316,006)</u>
Balance at December 31	<u>\$ 1,051,673</u>	<u>\$ 1,057,002</u>

## e. Others equity items

### 1) Exchange differences on translating the financial statements of foreign operations

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 750,561	\$ 192,209
Share of exchange differences on translating foreign operations of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(179,424)</u>	<u>558,352</u>
Balance at December 31	<u>\$ 571,137</u>	<u>\$ 750,561</u>

### 2) Unrealized gain (loss) on available-for-sale financial assets

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 1,035,801	\$ 798,854
Unrealized gain arising on revaluation of available-for-sale financial assets	27,222	210,601
Share of unrealized gains on available-for-sale financial assets of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(165,685)</u>	<u>26,346</u>
Balance at December 31	<u>\$ 897,338</u>	<u>\$ 1,035,801</u>

### 3) Total gains on effective portion of cash flow hedges

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ -	\$ -
Transferred to initial carrying amount of hedged items		
Forward foreign exchange contracts	1,689	-
Related income tax	<u>(287)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,402</u>	<u>\$ -</u>

# Financial Highlights

## 20. NET PROFIT

Net profit concludes as follow:

### a. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2015	2014
An analysis of depreciation by function		
Operating cost	\$ 517,822	\$ 374,254
Operating expenses	<u>87,059</u>	<u>87,141</u>
	<u>\$ 604,881</u>	<u>\$ 461,395</u>
An analysis of amortization in deferred expenses by function		
Operating expenses	<u>\$ 29,178</u>	<u>\$ 21,151</u>
An analysis of amortization in intangible assets by function		
Research and development expenses	<u>\$ 37,808</u>	<u>\$ 32,670</u>

### b. Rental income and operating expenses directly related to investment properties

	<u>For the Year Ended December 31</u>	
	2015	2014
Rental income from investment properties	<u>\$ 41,872</u>	<u>\$ 39,308</u>
Direct operating expenses from investment properties that generated rental income	<u>\$ 9,965</u>	<u>\$ 10,026</u>

### c. Employee benefit expense

	<u>For the Year Ended December 31</u>	
	2015	2014
Post-employment benefits		
Defined contribution plans	\$ 40,037	\$ 37,951
Defined benefit plans	<u>88,657</u>	<u>70,732</u>
	<u>128,694</u>	<u>108,683</u>
Short-term benefits	<u>2,363,204</u>	<u>2,330,784</u>
	<u>\$ 2,491,898</u>	<u>\$ 2,439,467</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,242,999	\$ 1,232,808
Operating expenses	<u>1,248,899</u>	<u>1,206,659</u>
	<u>\$ 2,491,898</u>	<u>\$ 2,439,467</u>

For the years ended December 31, 2015 and 2014, the Corporation's average number of employees was 1,965 and 1,976, respectively.

The current Articles of Incorporation of the Corporation stipulate the distribution of bonus to employees at rates of no less than 0.1% and no higher than 5% and to distribute remuneration to directors and supervisors at the rate of 0.5%, respectively, of net profit after income tax. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were estimated at \$12,876 thousand and \$11,512 thousand, respectively.

# Financial Highlights

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate the distribution of employees' compensation and remuneration to directors and supervisors at the rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax (net of the bonus and remuneration) of the year. Thus, for the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were estimated at \$21,054 thousand and \$17,468 thousand, respectively. These amounts were approved by the Corporation's board of directors on March 28, 2016, and their distribution is subject to the shareholders' approval of the amendments to the Corporation's Articles of Incorporation in their meeting in June 2016, during which a report of this distribution will be presented.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 2015, and 2014, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Bonus to employees	\$ 12,876	\$ 16,680
Remuneration of directors and supervisors	11,512	11,393

There was no difference between the amounts of bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings June 2015 and 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
In respect of the current year	\$ 234,206	\$ 205,400
Adjustments for the prior years	(17,678)	190
	<u>216,528</u>	<u>205,590</u>
Deferred tax		
In respect of the current year	72,472	133,302
Adjustments for the prior years	-	108
	<u>72,472</u>	<u>133,410</u>
Income tax expense recognized in profit or loss	<u>\$ 289,000</u>	<u>\$ 339,000</u>

# Financial Highlights

A reconciliation of accounting profit and income tax expenses was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax	<u>\$ 3,455,104</u>	<u>\$ 2,897,118</u>
Income tax expense calculated at the tax rate (17%)	\$ 587,368	\$ 492,510
Tax-exempt income	(210,586)	(188,785)
Additional income tax on unappropriated earnings	69,570	121,650
Investment credits	(78,036)	(83,159)
Unrecognized investment credits	-	(882)
Unrecognized deductible temporary differences	(61,638)	(2,524)
Adjustments for prior years' tax	<u>(17,678)</u>	<u>190</u>
Income tax expense recognized in profit or loss	<u>\$ 289,000</u>	<u>\$ 339,000</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation in ROC.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ 14,689	\$ 3,094
Total gains on effective portion of cash flow hedges	<u>(287)</u>	<u>-</u>
Total income tax recognized in other comprehensive income	<u>\$ 14,402</u>	<u>\$ 3,094</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 1,880</u>	<u>\$ 6,102</u>
Current tax liabilities		
Income tax payable	<u>\$ 136,533</u>	<u>\$ 204,799</u>

# Financial Highlights

## d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary difference					
Defined benefit plans	\$ 275,089	\$ (891)	\$ 14,689	\$ -	\$ 288,887
Other payable	35,209	4,930	-	-	40,139
Inventory	12,020	(629)	-	-	11,391
Property, plant and equipment	13,647	(8,240)	-	-	5,407
Other	<u>34,231</u>	<u>(28,417)</u>	<u>-</u>	<u>-</u>	<u>5,814</u>
	370,196	(33,247)	14,689	-	351,638
Loss carryforwards	<u>50,395</u>	<u>(50,366)</u>	<u>-</u>	<u>63,942</u>	<u>63,971</u>
	<u>\$ 420,591</u>	<u>\$ (83,613)</u>	<u>\$ 14,689</u>	<u>\$ 63,942</u>	<u>\$ 415,609</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Cash flow hedges	\$ -	\$ -	\$ 287	\$ -	\$ 287
Other	<u>15,657</u>	<u>(11,141)</u>	<u>-</u>	<u>-</u>	<u>4,516</u>
	<u>\$ 15,657</u>	<u>\$ (11,141)</u>	<u>\$ 287</u>	<u>\$ -</u>	<u>\$ 4,803</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plans	\$ 295,564	\$ (20,475)	\$ -	\$ 275,089
Other payable	29,158	6,051	-	35,209
Property, plant and equipment	24,157	(10,510)	-	13,647
Inventory	15,930	(3,910)	-	12,020
Other	<u>33,619</u>	<u>612</u>	<u>-</u>	<u>34,231</u>
	398,428	(28,232)	-	370,196
Loss carryforwards	<u>171,963</u>	<u>(121,568)</u>	<u>-</u>	<u>50,395</u>
	<u>\$ 570,391</u>	<u>\$ (149,800)</u>	<u>\$ -</u>	<u>\$ 420,591</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Defined benefit plans	\$ 26,128	\$ (23,034)	\$ (3,094)	\$ -
Other	<u>9,013</u>	<u>6,644</u>	<u>-</u>	<u>15,657</u>
	<u>\$ 35,141</u>	<u>\$ (16,390)</u>	<u>\$ (3,094)</u>	<u>\$ 15,657</u>

# Financial Highlights

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Deductible temporary differences	<u>\$ 1,461,743</u>	<u>\$ 1,824,315</u>

- f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2015 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
<u>\$ 376,300</u>	2018

- g. Integrated income tax

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Unappropriated earnings		
Generated before January 1, 1998	\$ 4,342,276	\$ 4,356,535
Generated on and after January 1, 1998	<u>14,554,332</u>	<u>13,412,538</u>
	<u>\$ 18,896,608</u>	<u>\$ 17,769,073</u>
Imputation credit account ("ICA")	<u>\$ 2,081,661</u>	<u>\$ 1,713,895</u>

The creditable ratios for the distribution of the earnings of 2015 and 2014 were 14.30% (expected ratio) and 15.36% (actual ratio), respectively. However, based on the revised Article 66-6 of the Income Tax Law, which will take effect on January 1, 2015, the creditable ratio for individual shareholders residing in the ROC will be half of the original creditable ratio.

Under the Income Tax Law, for the distribution of earnings generated on or after January 1, 1998, the imputation credits allocable to ROC resident stockholders of the Corporation are calculated on the basis of the creditable ratio as of the date of dividend distribution. The actual imputation credits allocable to stockholders of the Corporation are based on the balance of ICA as of the date of dividend distribution. Thus, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

- h. Income tax assessment

The tax returns of the Corporation through 2013 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

	<b>2015</b>	<b>2014</b>
Basic earnings per share	<u>\$ 2.32</u>	<u>\$ 1.88</u>
Diluted earnings per share	<u>\$ 2.32</u>	<u>\$ 1.87</u>

# Financial Highlights

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operation were as follows:

## Net Profit for the Year

	2015	2014
Profit for the year of the Corporation	<u>\$ 3,166,104</u>	<u>\$ 2,558,118</u>

## Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share		
Weighted average number of ordinary shares	1,384,051	1,384,051
Adjustment for associates holding shares	<u>(18,872)</u>	<u>(20,439)</u>
	<u>1,365,179</u>	<u>1,363,612</u>
Effect of potentially dilutive ordinary shares		
Compensation or bonus issue to employees	<u>1,235</u>	<u>748</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,366,414</u>	<u>1,364,360</u>

When calculating EPS, the Corporation considers the shares which associates hold as the treasury stock to reduce the outstanding shares.

If the Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged in the future.

## 24. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

# Financial Highlights

## b. Fair value of financial instruments that are measured at fair value

### 1) Fair value hierarchy

December 31, 2015

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Financial assets at FVTPL				
Derivative financial instruments	\$ 61,103	\$ -	\$ 1,913	\$ 63,016
Available-for-sale financial assets				
Listed securities - ROC	\$ 4,304	\$ -	\$ -	\$ 4,304
Unlisted securities - ROC	119,195	-	725,538	844,733
Mutual funds	<u>622,739</u>	<u>-</u>	<u>-</u>	<u>622,739</u>
	<u>\$ 746,238</u>	<u>\$ -</u>	<u>\$ 725,538</u>	<u>\$ 1,471,776</u>
Derivative financial assets for hedging				
Derivative financial instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,916</u>	<u>\$ 1,916</u>
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299</u>	<u>\$ 299</u>
Derivative financial liabilities for hedging				
Derivative financial instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227</u>	<u>\$ 227</u>

December 31, 2014

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Financial assets at FVTPL				
Derivative financial instruments	\$ 59,700	\$ -	\$ 56	\$ 59,756
Non-derivative financial assets held for trading	<u>235,819</u>	<u>-</u>	<u>-</u>	<u>235,819</u>
	<u>\$ 295,519</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 295,575</u>

(Continued)

# Financial Highlights

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Listed securities - ROC	\$ 1,629	\$ -	\$ -	\$ 1,629
Unlisted securities - ROC	145,693	-	667,025	812,718
Mutual funds	<u>1,329,771</u>	<u>-</u>	<u>-</u>	<u>1,329,771</u>
	<u>\$ 1,477,093</u>	<u>\$ -</u>	<u>\$ 667,025</u>	<u>\$ 2,144,118</u>
				(Concluded)

There were no transfers between Levels 1 and 2 in the current and prior periods.

## 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2015

Financial Assets	Financial Instruments at Fair Value Through Profit or Loss Derivatives	Available-for-sale Financial Assets	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 56	\$ 667,025	\$ -	\$ 667,081
Recognized in profit or loss	1,857	-	-	1,857
Recognized in other comprehensive income	<u>-</u>	<u>58,513</u>	<u>1,916</u>	<u>60,429</u>
Balance at December 31	<u>\$ 1,913</u>	<u>\$ 725,538</u>	<u>\$ 1,916</u>	<u>\$ 729,367</u>

Financial Liabilities	Financial Instruments at Fair Value Through Profit or Loss Derivatives	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ -	\$ -	\$ -
Recognized in profit or loss	299	-	299
Recognized in other comprehensive income	<u>-</u>	<u>227</u>	<u>227</u>
Balance at December 31	<u>\$ 299</u>	<u>\$ 227</u>	<u>\$ 526</u>

# Financial Highlights

For the year ended December 31, 2014

Financial Assets	Financial Instruments at Fair Value Through Profit or Loss Derivatives	Available-for- sale Financial Assets	Total
Balance at January 1	\$ -	\$ 584,206	\$ 584,206
Recognized in profit or loss	(70)	-	(70)
Recognized in other comprehensive income	-	82,819	82,819
Purchase	<u>126</u>	<u>-</u>	<u>126</u>
Balance at December 31	<u>\$ 56</u>	<u>\$ 667,025</u>	<u>\$ 667,081</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

- a) Derivative financial instruments: The fair values of warrants were determined using option pricing models where the significant unobservable inputs are historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value.
- b) Derivative financial instruments: The fair values of foreign exchange swaps and forward foreign exchange contracts of future cash flows were estimated by observable period end foreign exchange rate and exchange rate settled by the contracts, and were respectively discounted by the discount rate that reflected trading parties' credit risks.
- c) Domestic unlisted securities to which the market approach was applied: The fair values of domestic unlisted shares were determined using the P/E (price-earnings) ratio and the P/B (price-to-book) ratio while referring to stock prices of listed companies with operating activities that were similar to those of the Corporation. The material unobservable inputs were as follows:

	<b>December 31, 2015</b>
P/E ratio	14.85-20.87 times
P/B ratio	1.44-1.65 times
Discount rate for lack of marketability	20%

Had the inputs to the valuation model been changed to reflect reasonably possible alternative assumptions while all the other variables been held constant, the fair values of the shares would have increased (decreased) as follows:

	<b>December 31, 2015</b>
P/E ratio	
1 time increase	<u>\$ 56,896</u>
1 time decrease	<u>\$(56,896)</u>
P/B ratio	
0.1 time increase	<u>\$ 72,554</u>
0.1 time decrease	<u>\$(72,554)</u>

# Financial Highlights

## c. Categories of financial instruments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	\$ 61,103	\$ 59,700
Held for trading	1,913	235,875
Derivative instruments in designated hedge accounting relationships (included in other current assets)	1,916	-
Loans and receivables (Note 1)	14,326,929	12,257,535
Available-for-sale financial assets (Note 2)	1,532,297	2,294,126
<u>Financial liabilities</u>		
Amortized cost (Note 3)	4,647,823	4,594,271
Fair value through profit or loss (FVTPL) (included in other current liabilities)		
Held for trading	299	-
Derivative instruments in designated hedge accounting relationships (included in other current liabilities)	227	-

Note 1: The balances included cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable (related parties included), other receivables (related parties included), other financial assets (included in other current assets) and guarantee deposits (included in other non-current assets).

Note 2: The balances included the carrying amounts of available-for-sale financial assets and financial assets measured at cost.

Note 3: The balances included accounts payable (related parties included), other payables and deposits received (included in other non-current liabilities).

## d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, accounts receivables, accounts payables and borrowings. Financial risks include market risk, credit risk, and liquidity risk.

### 1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other market-related factors.

#### a) Exchange rate risk

Holding foreign currency-denominated assets and liabilities exposes the Corporation to adverse fluctuations of cash flows and the reduction of foreign currency assets due to the exchange rate changes. The Corporation avoids cash flow risk resulting from the adverse exchange rate changes by using derivative contracts.

# Financial Highlights

## Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar (USD), Japanese yen (JPY) and Renminbi (RMB).

The following table details the Corporation's sensitivity to a 1% increase and decrease in New Taiwan dollars against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency - denominated monetary items, and their translation at the end of the reporting period is adjusted for a 1% change in exchange rates. A positive number below indicates an increase in pre-tax profit and equity due to a 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and equity and the balances below would be negative.

	<b>USD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain (loss)	\$ (1,787)	\$ (1,993)
	<b>JPY</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain (loss)	\$ 2,604	\$ 3,278
Equity	(1,916)	-
	<b>RMB</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain (loss)	\$ (18,439)	\$ (10,898)

## b) Interest rate risk

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 61,103	\$ 59,700
Cash flows interest rate risk		
Financial assets	10,462,991	9,106,304

## Sensitivity analysis

The sensitivity analyses below were based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity rate of 1% was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

# Financial Highlights

Had interest rates been 1% higher and had all other variables been held constant, the Corporation's pre-tax profit would have increased by \$104,630 thousand in 2015 and \$91,063 thousand in 2014.

The increase in the Corporation's sensitivity to interest rates during the current period was mainly due to the increase in variable rate asset instruments.

## c) Other price risk

The Corporation was exposed to equity price risk on its investments in listed securities, emerging securities and mutual funds.

### Sensitivity analysis

The Corporation assesses equity price risk using sensitivity analysis.

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period. Had equity prices been 5% lower, the fair values of available-for-sale investments and held-for-trading investments would have decreased by \$37,312 thousand and \$85,646 thousand as of December 31, 2015 and 2014, respectively.

## 2) Credit risk

The amounts of financial assets were potentially affected by the Group if the counter-parties or third parties breach financial instrument contracts. The affection includes the concentrated degrees, composition parts and contracts amounts of the financial instruments and other receivables. The Group believes the risk is low because the trading parties were creditworthy banks, brokers and dealers.

## 3) Liquidity risk

The Corporation has sufficient operating capital to meet cash requirements for settling derivative transactions. Thus, liquidity risk is low.

## 25. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, the Corporation had business transactions with related parties:

### a. Trading transactions

#### 1) Revenues

Related Parties Types	For the Year Ended December 31	
	2015	2014
Associates	\$ 19,890,890	\$ 19,444,957
Investors that have significant influence	590,567	750,616
Subsidiaries	<u>371,548</u>	<u>440,473</u>
	<u>\$ 20,853,005</u>	<u>\$ 20,636,046</u>

# Financial Highlights

## 2) Purchases of goods

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	\$ 1,999,222	\$ 2,542,781
Associates	1,738,827	1,596,093
Subsidiaries	<u>962,755</u>	<u>1,143,142</u>
	<u>\$ 4,700,804</u>	<u>\$ 5,282,016</u>

## 3) Technical service expense (included in cost of goods sold and marketing expenses)

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	<u>\$ 186,423</u>	<u>\$ 176,080</u>

## 4) Development expense (included in research and development expenses)

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	<u>\$ 78,799</u>	<u>\$ 58,852</u>

## 5) Acquisition of property, plant and equipment

<b>Related Parties Types</b>	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Subsidiaries	\$ 66,573	\$ 66,017
Associates	<u>87,467</u>	<u>17,031</u>
	<u>\$ 154,040</u>	<u>\$ 83,048</u>

## 6) Disposal of property, plant and equipment

<b>Related Parties Types</b>	<b>Proceeds of Disposal</b>		<b>Gain on Disposal</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
Subsidiaries	\$ 12,220	\$ 3,356	\$ 223	\$ 433
Associates	<u>936</u>	<u>58</u>	<u>205</u>	<u>58</u>
	<u>\$ 13,156</u>	<u>\$ 3,414</u>	<u>\$ 428</u>	<u>\$ 491</u>

# Financial Highlights

## 7) Receivables from related parties

<b>Related Parties Types</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 875,287	\$ 924,645
Subsidiaries	129,554	112,872
Investors that have significant influence	<u>46,058</u>	<u>58,900</u>
	<u>\$ 1,050,899</u>	<u>\$ 1,096,417</u>

## 8) Prepayments (included in other current assets)

<b>Related Parties Types</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Investors that have significant influence	\$ 51,774	\$ 4,580
Subsidiaries	12,495	7,711
Associates	<u>5,797</u>	<u>7,140</u>
	<u>\$ 70,066</u>	<u>\$ 19,431</u>

## 9) Payables to related parties

<b>Related Parties Types</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 375,139	\$ 408,693
Subsidiaries	170,376	188,919
Investors that have significant influence	<u>157,555</u>	<u>181,599</u>
	<u>\$ 703,070</u>	<u>\$ 779,211</u>

## 10) Deposit in advance (included in other current liabilities)

<b>Related Parties Types</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 20,423	\$ 42,147
Subsidiaries	<u>2,576</u>	<u>2,576</u>
	<u>\$ 22,999</u>	<u>\$ 44,723</u>

The outstanding payables to related parties had unsecured guarantees and would be paid in cash. The Corporation receives guarantees of the receivables from part of the related parties. In addition, the Corporation did not recognize allowance for doubtful accounts for 2015 and 2014.

Except for the royalty received from Hwa Wei Holdings in accordance with the authorities of Mainland China and the accounts receivable to Y.M.Hi-Tech Industry Ltd., other transactions with related parties have the same terms for pricing, receipts and payments as of those for third parties. Lease contracts with related parties are based on market conditions, and the terms of payment or receivables were the same as those for third parties.

The Corporation signed contract with Mitsubishi Motor Corp. (MMC). Please refer to Note 27.

# Financial Highlights

b. Compensation of key management personnel:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 102,054	\$ 87,652
Post-employment benefits	<u>1,321</u>	<u>1,006</u>
	<u>\$ 103,375</u>	<u>\$ 88,658</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

## 26. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as the tariff of importing vehicle parts and materials and escrows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Time deposits (included in other current assets)	<u>\$ 84,540</u>	<u>\$ 84,007</u>

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2015 were as follows:

- a. Guarantee notes amounted to \$4,727,650 thousand, which had been issued to financial institutions as collaterals for loans.
- b. Certain fees were received by Mitsubishi Motor Corporation (MMC) and Mitsubishi Fuso Truck and Bus Corp. for providing the Group with technical assistance in the manufacture of automobiles and in the minor revisions of certain car models, as stated in several agreements with the latest expiry in September 2025. In addition, under several agreements with the latest expiry in July 2017, development expenses were paid to MMC for helping the Group in revising the designs of certain car models and exhaust systems and in developing automobile functions, as stated in several agreements with the latest expiry in July 2017.

# Financial Highlights

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	<b>Foreign Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,353	32.8250	\$ 274,179
RMB	372,755	4.9950	1,861,911
Non-monetary items			
Investments accounted for using equity method			
EUR	35,370	35.8800	1,269,091
<u>Financial liabilities</u>			
Monetary items			
JYP	959,997	0.2727	261,791

December 31, 2014

	<b>Foreign Currencies</b>	<b>Exchange Rate (Note)</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,440	31.6500	\$ 235,467
RMB	229,594	5.0920	1,169,090
Non-monetary items			
Investments accounted for using equity method			
EUR	32,184	38.4700	1,238,121
<u>Financial liabilities</u>			
Monetary items			
JYP	1,244,472	0.2646	329,287

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged, unless stated otherwise.

For the years ended December 31, 2015 and 2014, net foreign exchange gains (losses) (realized and unrealized) were \$(5,715) thousand and \$62,718 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

## 29. SEPARATELY DISCLOSED ITEMS

Excluded in Notes 7, 9, 24 and Tables 1 to 8, there are no other separately disclosed items.

VI. Financial Difficulties during the 2015 Calendar Year and up to April 30, 2016:

None

# Review of Financial Status, Operating Results, and Risk Management

## I. Analysis of Financial Status

### Brief Presentation on Financial Status Analysis

Unit: NT\$ thousands

Item \ Year	December 31, 2015	December 31, 2014 (Note)	Variation	
			Amount	%
Current assets	23,381,141	22,939,000	442,141	1.93
Long-term Investments	30,441,435	29,743,458	697,977	2.35
Property, plant and equipment	6,543,123	6,490,732	52,391	0.81
Intangible assets	208,051	245,859	( 37,808 )	( 15.38 )
Other assets	2,108,281	2,104,369	3,912	0.19
Total assets	62,682,031	61,523,418	1,158,613	1.88
Current liabilities	7,694,923	7,856,941	( 162,018 )	( 2.06 )
Non-current liabilities	2,327,897	2,267,307	60,590	2.67
Total liabilities	10,022,820	10,124,248	( 101,428 )	( 1.00 )
Capital stock	13,840,508	13,840,508	-	-
Capital surplus	6,404,906	6,392,369	12,537	0.20
Retained earnings	27,800,054	26,422,019	1,378,035	5.22
Other equity	1,469,877	1,786,362	( 316,485 )	( 17.72 )
Treasury stock	-	-	-	-
Equity attributable to owners of the Corporation	49,515,345	48,441,258	1,074,087	2.22
Non-Controlling Interests	3,143,866	2,957,912	185,954	6.29
Total equity	52,659,211	51,399,170	1,260,041	2.45
Analysis of Variation (for variation over 20% in the latest 2 years and with an amount up to NT\$10 million): N.A.				

Note: Disclosures are in accordance with the revised Statement.

# Review of Financial Status, Operating Results, and Risk Management

## II. Analysis of Operating Results

### Brief Presentation on Operating Performance Analysis

Unit: NT\$ thousands

Item \ Year	2015	2014(Note)	Increase (Decrease)	Ratio of Variation%
Operating Revenue	36,884,447	35,951,427	933,020	2.60
Operating costs	30,181,234	29,897,969	283,265	0.95
Gross Profit	6,703,213	6,053,458	649,755	10.73
Realized Gross Profit	6,713,127	6,062,064	651,063	10.74
Operating expenses	4,497,712	4,092,130	405,582	9.91
Profit from Operations	2,215,415	1,969,934	245,481	12.46
Non-operating income and expenses	1,675,814	1,269,735	406,079	31.98
Continuously operating divisions' profit before income tax	3,891,229	3,239,669	651,560	20.11
Income tax expense	( 386,541 )	( 418,187 )	31,646	( 7.57 )
Cautiously operating divisions' net profit	3,504,688	2,821,482	683,206	24.21
Net profit of the year	3,504,688	2,821,482	683,206	24.21
Other comprehensive income (Loss) (after-tax)	( 544,138 )	732,458	( 1,276,596 )	( 174.29 )
Total Comprehensive income	2,960,550	3,553,940	( 593,390 )	( 16.70 )
Analysis of Variation (for a variation over 20% in the latest 2 years with an amount up to NT\$10 million): 1. The increase in "Non-operating income and expenses" were mainly due to the raise of "Share of profit of associates and joint ventures". 2. The decrease in "Other comprehensive income (Loss) (after-tax)" was mainly due to the changes of "Unrealized gain on available-for-sale financial assets" and "Share of other comprehensive income of associates and joint ventures". These changes came from evaluation of investment in listed companies' stock price fall and CNY depreciation.				

Note: Disclosures are in accordance with the revised Statement.

# Review of Financial Status, Operating Results, and Risk Management

## III. Analysis of Cash Flow

### (I) Liquidity analysis for the latest two years

Item \ Year	2015	2014	Ratio of Increase (Decrease)
Cash flow ratio(%)	38.48	47.78	( 13.30 )
Cash flow adequacy ratio(%)	N/A	N/A	N/A
Cash flow reinvestment ratio(%)	1.66	2.75	( 1.09 )
Analysis of the Ratio of Increase/Decrease: The decrease in “Cash flow ratio” and the “Cash flow reinvestment ratio” were mainly due to the deduction in “Net cash generated from operating activities”.			

### (II) Liquidity analysis of cash for the next year

Unit: NT\$ thousands

Beginning cash balance	Net cash generated expected from operating activities of the whole year	Expected cash outflows from Investing and Financing activities the whole year	Expected remaining cash (shortage)	Expected measures to be taken for cash shortage	
				Investment plan	Financial plan
10,378,451	732,549	2,070,154	9,040,846	-	-
1. Analysis of variation in cash flows for the next year: (1) Operating activities: Expected cash inflows from operating income NT\$ 732,549 thousand. (2) Investing activities: Expected net cash outflows from investing activities NT\$ 132,483 thousand. (3) Financing activities: Expected net cash outflows from financing activities NT\$ 1,937,671 thousand. 2. Expected measures to be taken for cash shortage and liquidity analysis: Not applicable					

## IV. Major Capital Expenditure

The important capital expenditure was NT\$ 950,742 thousand in 2016. Its effects are expected as follows:

- (I) Introducing new products: The market share of the Corporation’s products will increase and turnover and sales will rise.
- (II) Introducing parts and components: Self-manufacturing rate of parts will rise and production cost will be reduced.
- (III) Strengthening sales: The reputation of the Corporation and its products will be developed and the quality of after-sale service will be enhanced to facilitate sales.
- (IX) Increasing productivity: The equipment for production lines will be upgraded and automatized and layout will be rationalized to increase productivity and enhance technology.

## Review of Financial Status, Operating Results, and Risk Management

- (X) Enhancing quality: Cooperative companies will increase their ability in quality assurance. Quality assurance systems will be operated more effectively to eliminate PONC (Price of Non Conformance) and have customers be more satisfied with the quality of products. Source management and fool-proofing measures will be conducted more effectively.
- (XI) Improving work environment: Computer equipment will be upgraded. Old office equipment and company vehicles will be replaced with new ones. Office planning construction and air quality will be improved. Pollution prevention equipment will be installed.

### V. Re-investment policies in last year and major causes for profit/loss and improvement, and investment plans in the coming year

Looking back in 2015, re-investments were mainly placed in automobile-related business. In return of investment, although there's the downturn of the macro environment, the overall auto market (including trucks) in Taiwan approximately equal during the past 2 years. In 2015, there was a slight profit growth for both upstream and downstream suppliers of the auto industry in Taiwan and the profit of re-investment in China, especially SEM with hot sale DX7 model, increased. Therefore, the recognized overall profit from re-investments in 2015 was NT\$1,168 million, 66% up from NT\$704 million in 2014.

Although the 2015 economic growth of China by 6.9% was the lowest during the last 25 years, thanks to the policy halved purchase tax, the total car sale in 2015 was 24.60 million cars, 4.7% up from 2014. In re-investments in China, SEM, a CMC re-invested enterprise, continued with the dual brand marketing strategy, due to hot sale of new DX7 model, 76 thousand cars were sold in 2015. As for Fujian Benz Automotive, a total of 8 thousand cars were sold in 2015, 33% down from 2014.

In the 2-wheeled business, a total of 4,256 e-scooters were registered in 2015, maintaining at top of the e- scooter market with 60% market share. As the green energy industry is one of our key investments in the future, after launching the first e-scooter EM50 in 2010, the Corporation continued to launch the EM80 and EM100 in 2012 and 2013. In 2013, the Corporation launched the registration-free, driver license free, fuel-tax free, and fuel-free EM25. In the

# Review of Financial Status, Operating Results, and Risk Management

future, the Corporation will fulfil consumer demand with multifaceted products.

## VI. Risk Management

(I) Impact on profits/losses of Interest rate volatility, Exchange rate volatility and Inflation and the Future Countermeasures:

Interest rate volatility mainly affects the financial assets hold by the Corporation. Due to the fast-money policy of Europe and Japan, many countries have reduced interest rate in 2015. As the environment of Taiwan is still sluggish, the Central Bank of Taiwan will be expected to cut interest rates in 2015. When interest rate decreases by 0.25%, the interest income will decrease by NT\$ 22,602 thousand.

As key parts and components are imported from Japan, the exchange rate volatility of JPY will bring a bigger effect on the income of the Corporation. If the USD to NTD rate devaluates(appreciates) by NT\$1, the profit (loss) before tax will increase(decrease) by NT\$126,695 thousand; if the USD to JPY rate devaluates(appreciates) by JPY1, the profit (loss) before tax will decrease(increase) by NT\$33,471 thousand.

As global interest rate tends to run low and the weak demand, emerging countries show the signs of overcapacity and the shadow of deflation. As deflation affects buying intention, the central banks of countries in the world will lower interest rate or launch new policies to stimulate economic growth. Either high inflation or high deflation will reduce market efficiency and interfere on savings and investment decisions to discourage macroeconomics and microeconomics and bring adverse effect to our operating cost. Therefore, the Corporation will continue to watch closely the trend of inflation or deflation, so as to adjust our products and services in response.

(II) Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsement and Guarantees; and Derivative Transactions:

1. The Corporation does not engage in high risk or high leveraged investments.
2. The funds loaned to others, endorsement guarantee and derivative product transactions are made in accordance with the policy provided in the Procedure of Loaning of Funds and Procedure of Endorsements/Guarantees, and the Procedure of Engaging for Derivative Trading.

## Review of Financial Status, Operating Results, and Risk Management

### (III) Future R&D Plans and Expected R&D Spending:

The task of CARTEC, the Corporation's Research and Development Center, and the product lines are developed pursuant to the guiding principle made by the Corporation. Technological research and development is executed to (1) develop vehicle-related technologies that meet the needs of the market and the requirements of the law, (2) develop the systemic integrating ability of differentiation and high value added products, (3) modify products to meet the demand by different foreign regions, (4) develop new energy and energy-saving related products, and focus on advanced power system, electric control system, and the design integration and analysis and verification technology for automobile electronic (5) develop green energy two-wheeler products with advanced characteristics.

The R&D expenses of the Corporation estimates NT 1.9 billion in 2016.

### (IV) Effects of and Response to Changes of Government Policies and Regulatory Environment:

The Corporation consistently paid attention to any change in laws, statutes and policies that might influence the business or operation of this Corporation. No change in domestic and foreign policies and laws has had significant influence on the financial business of the Corporation since 2015.

### (V) Effects of and Response to Changes in Technology and Industry: None

### (VI) Effects of and Response to Changes in Corporate Image on Company's Crisis Management:

None

### (VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

None

### (VIII) Expected Benefits from, Risks Relating to and Response to Capacity Expansion: None

### (IX) Risks Associated with Sales and Purchase Concentration:

The Corporation purchases from hundreds of cooperative suppliers instead of from only particular ones. Though the Corporation sells products through only three main distributors, yet it is one of the characteristics of this industry that the products are distributed by limited distributors. The Corporation has also entered into a contract with each distributor and has stock equity of each distributor. The Corporation has worked the distributors for years. There is no risk of centralized sales.

## Review of Financial Status, Operating Results, and Risk Management

(X) Effects of, Risks Relating to and Response to Sales of Significant Numbers of Shares by Directors, and/ or Major Shareholders Who Own 10% or More of the Corporation's Total Outstanding Share : None

(XI) Effects of, Risks Relating to and Response to Changes in Control over the Corporation:  
None

(XII) Risks Associated with Litigation or Non-litigation Matters : None

(XIII) Other Risks: None

VII. Other Important Matters: None

## I. Summary of Affiliated Companies

### (I) Consolidated business report of affiliated enterprises

1. Organization charts of affiliated enterprises: Please see page 195.

2. Basic information of each affiliated enterprise

December 31, 2015

Unit: NT\$ thousands

No.	Name of Company	Date of Establishment	Address	Paid-in Capital			Major business or production item
				Currency	Amount	Exchange Rate	
1	Alliance Investment & Management Co., Ltd.	January 11, 1999	13F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipci City	NT	\$ 1,830,000	1.000	General investment
2	Green Trans Investment Co., Ltd.	March 14, 2012	Offshore Chambers, P.O. Box 217, Apia, Samoa	US	\$ 11,200	32.825	General investment
3	Jiangsu Greentrans Electronics Technology Co., Ltd.	July 10, 2012	No. 130, Yanshan W. Road, Chengqu Industrial Park, Chenxiang Township, Taicang City, Jiangsu Province, Chian	US	\$ 11,200	32.825	Production and sale of electric vehicles and relevant parts and accessories
4	China Motor Corporation Investment Co., Ltd.	October 29, 1992	11F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipci City	NT	\$ 1,335,032	1.000	Investment in production and service businesses
5	Hwa Hann Corporation (Note)	November 19, 2002	2nd deck Penthouse, Salamin Building 197 Salcedo St. Legaspi Village, Makati City 1229, Philippines	PHP	\$ 10,636	0.7172	Purchase and sale of car accessories
6	Hwa Wei Holdings Co., Ltd.	May 26, 1995	Citco Building, Wickhams Cay, P. O. Box 662, Road Town, Tortola, British Virgin Island	US	\$ 100	32.825	Overseas investment in production and service businesses
7	China Motor Investment Co., Ltd.	November 8, 2005	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	US	\$ 40	32.825	General investment
8	Hwa Chung Motor Co., Ltd.	February 15, 2006	No. 618, Xiucui Road, Yangmei City, Taoyuan County	NT	\$ 87,900	1.000	Sale of cars and accessories
9	GreenTrans Co., Ltd.	December 24, 2009	11F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipci City	NT	\$ 10,000	1.000	Sale of motorcycles and bicycles
10	Ling Wei Motor Co., Ltd.	November 19, 2007	11F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipei City	NT	\$ 36,084	1.000	Sale of used cars
11	China Engine Corporation	July 24, 1995	No. 3, Chiniudiao, Neighborhood 30, Hengfeng Village, Dayuan Township, Taoyuan County	NT	\$ 1,689,000	1.000	Manufacture of car engines and accessories
12	Advance Power Machinery Co., Ltd.	June 3, 2008	No. 39-1, Bogongkeng, Xihu Village, Sanyi Township, Miaoli County	NT	\$ 5,000	1.000	Manufacture of cars and accessories

Note: Hwa Hann Corporation is in the course of liquidation.

(To be continued)

# Special Disclosure

(Continued)

No.	Name of Company	Date of Establishment	Address	Paid-in Capital			Major business or production item
				Currency	Amount	Exchange Rate	
13	Advance Power Investment Co., Ltd.	April 26, 2002	2nd Floor, Felix House, 24 Dr. Joseph Riviere Street, Port Louis, Mauritius	US	\$ 3,750	32.825	Reinvestment and general sales business
14	Gatetech Technology Inc.	May 20, 1988	No. 1-1, Datong First Road, Guanyin Industrial Zone, Guanyin Township, Taoyuan County	NT	\$ 437,372	1.000	Aluminum-magnesium alloy foundry industry
15	Gatech Holding Co. Ltd.	January 22, 2002	TrustNet Chambers, Lotemau Centre, P.O.Box 1225, Apia, Samoa	US	\$ 20,130	32.825	General investment
16	Gatech International Co. Ltd	January 22, 2002	TrustNet Chambers, Lotemau Centre, P.O.Box 1225, Apia, Samoa	US	\$ 20,268	32.825	General investment
17	Gatetech (Suzhou) Technology Inc.	June 27, 2002	No. 6, Yanshan W. Road, Chengqu Industrial Park, Chengxiang Township, Taicang City, Jiangsu Province, Chian	US	\$ 24,300	32.825	Aluminum-magnesium alloy foundry industry
18	COC Tooling & Stamping Co., Ltd.	December 2, 1982	No. 412, Sec. 2, Renhe Road, Daxi Township, Taoyuan County	NT	\$ 619,460	1.000	Molds, examination tools and clamping apparatus for cars
19	Y. M. Hi-Tech Industry Ltd.	October 1, 2003	No. 412, Sec. 2, Renhe Road, Daxi Township, Taoyuan County	NT	\$ 50,000	1.000	Steel cutting
20	Shye Shinn Corporation (British Virgin Islands)	January 26, 1996	Tortola, British Virgin Island	US	\$ 968	32.825	General investment
21	Zhengzhou Tooling & Stamping Co., Ltd.	December 29, 2006	No. 1405, Hanghai E. Road, Zhengzhou City, Henan Province	CNY	\$ 12,500	4.995	Design and manufacture of molds, stamping part, hardware
22	Kian Shen Corporation	May 30, 1963	No. 100, Xinjiang Road, Yangmei City, Taoyuan County	NT	\$ 692,454	1.000	Manufacturing of large car racks and molds
23	Kian Shen Investment Co., Ltd.	March 13, 2002	Trust Net Chambers, P. O. Box 3444, Road Town, Tortola, British Virgin Island	US	\$ 10,296	32.825	Investment in production and service businesses
24	Kian Shen Investment Hong Kong Co. Limited	November 15, 2007	Suite 2303 23/F Great Eagle Centre 23 Harbour Road Wanchai HK	US	\$ 25,907	32.825	General investment
25	Sino Diamond Motor Corporation	June 5, 1993	11F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipei City	NT	\$ 3,257,862	1.000	Sale of automobiles and provision of after-sale service
26	Brilliant Insight International Consultancy Service Co., Ltd.	January 16, 2014	11F, No. 2, Sec. 2, Dunhua S. Road, Daan Dist., Taipei City	NT	\$ 22,000	1.000	Consulting and service

(To be continued)

# Special Disclosure

(Continued)

No.	Name of Company	Date of Establishment	Address	Paid-in Capital			Major business or production item
				Currency	Amount	Exchange Rate	
27	Fujian Rui Hua Consulting Co., Ltd.	April 24, 2013	General Office Building, South East (Jujian) Car Industrial Co., Ltd., South East Investment Zone, Minhou County	US	\$ 3,400	32.825	Consulting and service
28	Hwa Yu Co., Ltd.	November 12, 2003	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	US	\$ 45,643	32.825	Overseas investments in production and service businesses
29	Hwa Lin Investment Ltd.	December 14, 1999	P.O. Box 3152, Road Town, Tortola, British Virgin Island	US	\$ 42,093	32.825	Overseas investment in production and service businesses
30	Guangzhou Huayou Motor Maintenance Co., Ltd.	February 19, 2004	Guangzhou Automobile Market, Yuangang Sec., Guangshan Highway, Tianhe Dist., Guangzhou City	US	\$ 12,810	32.825	Car repair and supporting service
31	Guangzhou Huayou Motor Sale Co., Ltd.	September 9, 2002	Guangzhou Automobile Market, Yuangang Sec., Guangshan Highway, Tianhe Dist., Guangzhou City	CNY	\$ 2,000	4.995	Sale of cars and parts
32	Sichuan Huaifeng Hanwei Cars Service And Maintenance Co., Ltd.	November 10, 2004	(Shipping Ave., Wuhou Dist.) Shuangfeng Village, Jinhua Township, Wuhou Dist., Chengdu City	US	\$ 13,330	32.825	Car repair and supporting service, and the sale of cars and parts
33	Sichuan Houwei Cars Service And Maintenance Co., Ltd.	December 17, 2010	No. 76, Shuxi Road, Jinniu Dist., Chengdu City	CNY	\$ 3,000	4.995	Sale of cars and parts
34	Sichuan Lingwei Cars Service And Maintenance Co., Ltd.	January 16, 2003	(Shipping Ave., Wuhou Dist.) Shuangfeng Village, Jinhua Township, Wuhou Dist., Chengdu City	CNY	\$ 2,000	4.995	Sale of cars and parts
35	Tianjin Hwarui Maintenance Co., Ltd.	September 22, 2003	Block A, Car Town, Wanglan Manor, Weijin S. Road, Xiqing Dist., Tianjin City	US	\$ 8,020	32.825	Car repair and supporting service
36	Tianjin Hwahong Sale Co., Ltd.	January 19, 2003	Block A, Car Town, Wanglan Manor, Weijin S. Road, Xiqing Dist., Tianjin City	CNY	\$ 60,000	4.995	Sale of cars and parts
37	Dongguan Huayi Motor Maintenance Co., Ltd.	July 11, 2006	Baotun Sec., Guantai Road, Houjie Township, Dongguan City	US	\$ 4,450	32.825	Car repair and supporting service, and the sale of cars and parts
38	Dongguan Huashun Motor Sale Co., Ltd.	October 18, 2002	Baotun Sec., Guantai Road, Houjie Township, Dongguan City	CNY	\$ 15,000	4.995	Sale of cars and parts · Car repair and supporting service

# Special Disclosure

3. Information of the shareholders in a controlling or affiliated entity: None

4. Information of directors, supervisors and presidents of each affiliated enterprise

December 31, 2015

Unit: Share : %

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
Alliance Investment & Management Co., Ltd.	Chairperson	China Motor Corporation Representative: Kenneth K. T. Yen	183,000,000	100.00%
	Director	China Motor Corporation Representative: Li-Lien Chen Kuo-Rong Chen Chao-Wen Chen Te-Chao Huang	183,000,000	100.00%
	Supervisor	China Motor Corporation Representative: Mei-Chu Tai	183,000,000	100.00%
	President	Chao-Wen Chen		
Green Trans Investment Co., Ltd.	Director	Alliance Investment & Management Co., Ltd. Representative: Chao-Wen Chen	11,200,000 (US\$1 per share)	100.00%
Jiangsu Greentrans Electronics Technology Co., Ltd.	Director	Green Trans Investment Co., Ltd. Representative: Hsin-Tai Liu	11,200,000 (Contribution: US\$)	100.00%
	Supervisor	Green Trans Investment Co., Ltd. Representative: Mei-Chu Tai	11,200,000 (Contribution: US\$)	100.00%
	President	Shih-Cing Yao		
China Motor Corporation Investment Co., Ltd.	Chairperson	China Motor Corporation Representative: Kenneth K. T. Yen	133,503,200	100.00%
	Director	China Motor Corporation Representative: Chao-Wen Chen Wei Kung Chi	133,503,200	100.00%
	Supervisor	China Motor Corporation Representative: Te-Chao Huang	133,503,200	100.00%
	President	Chao-Wen Chen		
Hwa Hann Corporation (Note 3)	Chairperson	Sino Diamond Motor Corporation Representative: Chung-Chou Huang	542,429	51.00%
	Director	China Motor Corporation Representative: Pu-yang Liu	521,161	48.99%
	Director	Josefina K. Beltran	1	0.00%
	Director	Leonora C. Ventura	1	0.00%
	Director	Lourdes G. Labao	1 (10 PESO per share)	0.00%
Hwa Wei Holdings Co., Ltd.	Director	China Motor Corporation Representative: Kenneth K. T. Yen Chao-Wen Chen	40,000 (US\$1 per share)	40.00%
China Motor Investment Co., Ltd.	Director	China Motor Corporation Representative: Kenneth K. T. Yen Chao-Wen Chen	40,000 (US\$1 per share)	100.00%

(To be continued)

# Special Disclosure

(Continued)

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
Hwa Chung Motor Co., Ltd.	Chairperson	China Motor Corporation Representative: Kenneth K. T. Yen	8,790,000	100.00%
	Director	China Motor Corporation Representative: Hsin-Tai Liu Chao-Wen Chen Te-Jun Lo Ching-Wu Chien	8,790,000	100.00%
	Supervisor	China Motor Corporation Representative: Mei-Chu Tai	8,790,000	100.00%
	President	Chao-Wen Chen		
GreenTrans Co., Ltd.	Chairperson	Hwa Chung Motor Co., Ltd. Representative: Te-Jun Lo	1,000,000	100.00%
	Director	Hwa Chung Motor Co., Ltd. Representative: Ching-Wu Chien Kuo-Hsiung Peng	1,000,000	100.00%
	Supervisor	Hwa Chung Motor Co., Ltd. Representative: Mei-Chu Tai	1,000,000	100.00%
	President	Kuo-Hsiung Peng		
Ling Wei Motor Co., Ltd.	Chairperson	Hwa Chung Motor Co., Ltd. Representative: Ching-Wu Chien	3,608,397	100.00%
	Director	Hwa Chung Motor Co., Ltd. Representative: Li-Wei Wang Alex Chen	3,608,397	100.00%
	Supervisor	Hwa Chung Motor Co., Ltd. Representative: Mei-Chu Tai	3,608,397	100.00%
	President	Ching-Wu Chien		
China Engine Corporation	Chairperson	China Motor Corporation Representative: Jin-Chung Lee	32,000,000	18.95%
	Director	China Motor Corporation Representative: Hsin-Tai Liu Ching-Ya Chen Chih-Hsiung Wu Shih-Hsien Lin	32,000,000	18.95%

(To be continued)

# Special Disclosure

(Continued)

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
China Engine Corporation	Director	Yulon Motor Co., Ltd. Representative: Zhen-Xiang Yao Ching-Chi Chen	32,000,000	18.95%
	Director	National Development Fund, Executive Yuan Representative: Wei-Hsien Lee Jin-Piao Lin	32,000,000	18.95%
	Supervisor	Sino Diamond Motor Corporation Representative: Mei-Chu Tai	56,000,000	33.16%
	Supervisor	Sentec E&E Co., Ltd. Representative: Chao-Hui Huang	6,000,000	3.55%
	Supervisor	Ministry of Economic Affairs Representative: Wei-Yu Yeh	8,900,000	5.27%
	President	Shih-Hsien Lin		
Advance Power Machinery Co., Ltd.	Chairperson	China Engine Corporation Representative: Ching-Chi Chen	500,000	100.00%
	Director	China Engine Corporation Representative: Jin-Chung Lee Shih-Hsien Lin	500,000	100.00%
	Supervisor	China Engine Corporation Representative: Wun-Yi Luo,	500,000	100.00%
	President	Ching-Chi Chen		
Advance Power Investment Co., Ltd.	Director	China Engine Corporation Representative: Jin-Chung Lee	3,750,000 (US\$1 per share)	100.00%
Gatetech Technology Inc.	Chairperson	China Motor Corporation Representative: Hsin-Tai Liu	24,725,155	56.53%
	Director	China Motor Corporation Representative: Chih-Hsiung Wu Ya-Cheng Hsiao Chun-Hung Hu	24,725,155	56.53%
	Director	Jing Yu Co., Ltd. Representative: Bai-Chuan Cheng	1,010,048	2.31%
	Supervisor	Sino Diamond Motor Corporation Representative: Mei-Chu Tai	3,945,760	9.02%
	Supervisor	Sheng-Le Lin	330,023	0.75%
	President	Ya-Cheng Hsiao		
Gatech Holding Co. Ltd..	Director	Gatetech Technology Inc. Representative: Hsin-Tai Liu	20,130,389 (US\$1 per share)	100.00%
Gatech International Co. Ltd.	Director	Gatech Holding Co. Ltd. Representative: Hsin-Tai Liu	20,268,460 (US\$1 per share)	100.00%
Gatetech (Suzhou) Technology Inc.	Chairperson	Gatech International Co. Ltd. Representative: Hsin-Tai Liu	24,300,000 (Contribution:US\$)	100.00%
	President	Ya-Cheng Hsiao		

(To be continued)

# Special Disclosure

(Continued)

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
COC Tooling & Stamping Co., Ltd.	Chairperson	China Motor Corporation Representative: Hsi-Yuan Chung	30,821,560	49.76%
	Director	China Motor Corporation Representative: Ching-Ya Chen Hung-Ching Yang Chiung-chih Tseng	30,821,560	49.76%
	Director	Yulon Motor Co., Ltd. Representative: Zhen-Xiang Yao Zeng-Ciang Huang Yong-Yuan Wang	23,388,045	37.76%
	Supervisor	Tai-Yuan Textile Co., Ltd. Representative: Chung-Chen Liu	7,733,575	12.48%
	President	Hsi-Yuan Chung		
Y. M. Hi-Tech Industry Ltd.	Chairperson	COC Tooling & Stamping Co., Ltd. Representative: Hsi-Yuan Chung	4,250,000	85.00%
	Director	COC Tooling & Stamping Co., Ltd. Representative: Chia-Pin Lin Shui-Hsing Luo Zong-Jhih Chen	4,250,000	85.00%
	Director	Metal One (Japan) Representative: Akito Nakamura	750,000	15.00%
	Supervisor	Mei-Ching Wu		
	President	Hsi-Yuan Chung		
Shye Shinn Corporation	Chairperson	COC Tooling & Stamping Co., Ltd. Representative: Hsi-Yuan Chung	968,000 (Contribution:US\$)	100.00%
Zhengzhou Tooling & Stamping Co., Ltd.	Director	Shye Shinn Corporation Representative: Hsi-Yuan Chung	12,500,000 (Contribution: RMB)	60.00%
Kian Shen Corporation	Chairperson	China Motor Corporation Representative: Ching-Long Jan	30,378,649	43.87%
	Director	China Motor Corporation Representative: Shih-Chuan Chen Shao-Pao Mai Chiung-chih Tseng	30,378,649	43.87%
	Director	Kuozui Motors, Ltd. Representative: Yong-Yu Lin Hisa Hashimoto Guo-Yan Chen	22,810,105	32.94%
	Director	Hong-Long Chen		
	Director	Bo-Tsun Lin		
	Supervisor	Wei Tai Investment Co., Ltd. Representative: Yong-Yuan Wang	698,922	1.01%
	Supervisor	Ming-Chang Cai	6,531	0.01%
	President	Shao-Pao Mai		

(To be continued)

# Special Disclosure

(Continued)

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
Kian Shen Investment Co., Ltd. (British Virgin Islands)	Director	Kian Shen Corporation Representative: Shao-Pao Mai	10,296,105 (US\$1 per share)	100.00%
Kian Shen Investment Hong Kong Co.Limited	Director	Kian Shen Investment Co., Ltd. (British Virgin Islands) Representative: Shao-Pao Mai	25,907,038 (US\$1 per share)	100.00%
Sino Diamond Motor Corporation	Chairperson	China Motor Corporation Representative: Kenneth K. T. Yen	325,786,161	100.00%
	Director	China Motor Corporation Representative: Chao-Wen Chen Te-Jun Lo Te-Chao Huang Ching-Wu Chien	325,786,161	100.00%
	Supervisor	China Motor Corporation Representative: Mei-Chu Tai	325,786,161	100.00%
	President	Ching-Wu Chien		
Brilliant Insight International Consultancy Service Co., Ltd.	Chairperson	Sino Diamond Motor Corporation Representative: Te-Chao Huang	2,200,000	100.00%
	Director	Sino Diamond Motor Corporation Representative: Yu-Chun Su Meng-Yan Liao	2,200,000	100.00%
	Supervisor	Sino Diamond Motor Corporation Representative: Mei-Chu Tai	2,200,000	100.00%
	President	Te-Chao Huang		
Fujian Rui Hua Consulting Co., Ltd.	Executive Director	Hwa Yu Ltd. Representative: Te-Chao Huang	3,400,000 (Contribution: US\$)	100.00%
	Supervisor	Hwa Yu Ltd. Representative: Mei-Chu Tai	3,400,000 (Contribution: US\$)	100.00%
	President	Te-Chao Huang		
Hwa Yu Co., Ltd.	Director	Sino Diamond Motor Corporation Representative: Kenneth K. T. Yen	45,642,942 (US\$1 per share)	100.00%
Hwa Lin Investment Ltd.	Director	Hwa Yu Ltd. Representative: Kenneth K. T. Yen Te-Jun Lo	42,092,942 (US\$1 per share)	100.00%
Guangzhou Huayou Motor Maintenance Co., Ltd.	Chairperson	Hwa Lin Investment Ltd. Representative: Te-Jun Lo	12,810,000 (Contribution: US\$)	100.00%
	Director	Hwa Lin Investment Ltd. Representative: Te-Chao Huang Ying-Jhong Tseng	12,810,000 (Contribution: US\$)	100.00%
	Supervisor	Hwa Lin Investment Ltd. Representative: Mei-Chu Tai	12,810,000 (Contribution: US\$)	100.00%
	President	Ming-Jhang Wang		
Guangzhou Huayou Motor Sale Co., Ltd.	Shareholder	Hwa Lin Investment Ltd. Representative: Ming-Jhang Wang	2,000,000 (Contribution: RMB)	100.00%
	President	Ming-Jhang Wang		

(To be continued)

# Special Disclosure

(Continued)

Name of Company	Title	Name or Representative	Number of shares held(Note 1,2)	
			Number of shares	Shareholding ratio
Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd.	Chairperson	Hwa Lin Investment Ltd. Representative: Te-Jun Lo	13,330,000 (Contribution: US\$)	100.00%
	Director	Hwa Lin Investment Ltd. Representative: Te-Chao Huang Ying-Jhong Tseng	13,330,000 (Contribution: US\$)	100.00%
	Supervisor	Hwa Lin Investment Ltd. Representative: Mei-Chu Tai	13,330,000 (Contribution: US\$)	100.00%
	President	Guang-Jing Wu		
Sichuan Houwei Cars Service And Maintenance Co., Ltd.	Shareholder	Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd. Representative: Guang-Jing Wu	3,000,000 (Contribution: RMB)	100.00%
	President	Guang-Jing Wu		
Sichuan Lingwei Cars Service And Maintenance Co., Ltd.	Shareholder	Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd. Representative: Guang-Jing Wu	2,000,000 (Contribution: RMB)	100.00%
	President	Guang-Jing Wu		
Tianjin Hwarui Maintenance Co., Ltd.	Chairperson	Hwa Lin Investment Ltd. Representative: Te-Jun Lo	8,020,000 (Contribution: US\$)	99.75%
	Director	Hwa Lin Investment Ltd. Representative: Te-Chao Huang Ying-Jhong Tseng	8,020,000 (Contribution: US\$)	99.75%
	Supervisor	Hwa Lin Investment Ltd. Representative: Mei-Chu Tai	8,020,000 (Contribution: US\$)	99.75%
	President	Sa-He Wang		
Tianjin Hwahong Sale Co., Ltd.	Shareholder	Tianjin Hwarui Maintenance Co., Ltd. Representative: Sa-He Wang	60,000,000 (Contribution: RMB)	100.00%
	President	Sa-He Wang		
Dongguan Huayi Motor Maintenance Co., Ltd.	Chairperson	Hwa Lin Investment Ltd. Representative: Te-Jun Lo	4,450,000 (Contribution: US\$)	100.00%
	Director	Hwa Lin Investment Ltd. Representative: Te-Chao Huang Ying-Jhong Tseng	4,450,000 (Contribution: US\$)	100.00%
	Supervisor	Hwa Lin Investment Ltd. Representative: Mei-Chu Tai	4,450,000 (Contribution: US\$)	100.00%
	President	Ming-Jhang Wang		
Dongguan Huashun Motor Sale Co., Ltd.	Shareholder	Dongguan Huayi Motor Maintenance Co., Ltd. Representative: Ming-Jhang Wang	15,000,000 (Contribution: RMB)	100.00%
	President	Ming-Jhang Wang		

Note: 1. If the invested company is a company limited by shares, number of shares and shareholding ratio will be disclosed. As for other types of companies, contribution and contribution ratio will be disclosed.  
 2. If the director or supervisor is a corporation, the information of its representative will also be disclosed.  
 3. Hwa Hann Corporation is in the course of liquidation.

# Special Disclosure

## 5. Business Status of Each Related Enterprise

December 31, 2015

Unit: NT\$ thousands; except earnings per share in NT\$

Name of Company	Capital	Total Assets	Total Liabilities	Equity	Operating Income	Operating Profit	This year's profit (loss) (After tax)	Earnings per share (After tax)
Alliance Investment & Management Co., Ltd.	1,830,000	1,742,391	176	1,742,215	679,409	82,390	83,390	0.46
Green Trans Investment Co., Ltd.	344,369	356,544	-	356,544	-	( 88)	17,672	1.58
Jiangsu Greentrans Electronics Technology Co., Ltd.	367,640	404,551	48,214	356,337	127,659	16,150	17,751	-
China Motor Corporation Investment Co., Ltd.	1,335,032	1,725,867	176	1,725,691	140,718	52,855	51,532	0.39
Hwa Hann Corporation (Note)	-	-	-	-	-	-	-	-
Hwa Wei Holdings Co., Ltd.	3,080	2,041,763	89,382	1,952,381	6,017	( 78,103)	( 265,711)	( 2,657.11)
China Motor Investment Co., Ltd.	1,402	1,173,642	-	1,173,642	-	( 2)	( 100,133)	( 2,503.32)
Hwa Chung Motor Co., Ltd.	87,900	64,475	-	64,475	-	( 1)	( 1,543)	( 0.18)
GreenTrans Co., Ltd.	10,000	11,222	920	10,302	6,504	( 825)	106	0.11
Ling Wei Motor Co., Ltd.	36,084	103,976	76,168	27,808	118,736	( 3,341)	( 1,939)	( 0.54)
China Engine Corporation	1,689,000	1,366,467	347,778	1,018,689	1,074,268	( 4,761)	4,370	0.03
Advance Power Machinery Co., Ltd.	5,000	41,968	36,516	5,452	124,558	637	502	1.00
Advance Power Investment Co., Ltd.	123,094	105,309	-	105,309	-	-	3,271	0.87
Gatetech Technology Inc.	437,372	1,025,090	646,902	378,188	201,622	( 16,711)	35,163	0.80
Gatech Holding Co. Ltd.	647,041	597,126	839	596,287	-	-	48,725	2.42
Gatech International Co. Ltd.	657,284	597,105	7	597,098	-	-	47,565	2.35
Gatetech (Suzhou) Technology Inc.	797,648	685,962	90,340	595,622	615,386	38,342	47,508	-
COC Tooling & Stamping Co., Ltd.	619,460	2,126,104	930,135	1,195,969	1,628,829	195,451	156,344	2.52
Y. M. Hi-Tech Industry Ltd.	50,000	159,966	92,489	67,477	276,048	4,033	3,977	0.80
Shye Shinn Corporation (British Virgin Islands)	31,775	46,042	-	46,042	-	( 287)	2,897	-
Zhengzhou Tooling & Stamping Co., Ltd.	62,438	96,794	20,057	76,737	172,564	7,181	5,296	-

Note: Hwa Hann Corporation is in the course of liquidation.  
(To be continued)

# Special Disclosure

(Continued)

Name of Company	Capital	Total Assets	Total Liabilities	Equity	Operating Income	Operating Profit	This year's profit (loss) (After tax)	Earnings per share (After tax)
Kian Shen Corporation	692,454	4,110,955	723,901	3,387,054	1,201,629	35,542	437,216	6.31
Kian Shen Investment Co., Ltd.	337,966	3,133,951	547	3,133,404	-	-	425,695	41.35
Kian Shen Investment Hong Kong Co.Limited	850,397	3,220,504	86,558	3,133,946	10,873	( 238)	425,694	-
Sino Diamond Motor Corporation	3,257,862	3,294,773	315,827	2,978,946	1,791,727	28,379	( 21,888)	( 0.07)
Brilliant Insight International Consultancy Service Co., Ltd.	22,000	31,128	12,636	18,492	64,512	( 34)	21	0.01
Fujian Rui Hua Consulting Co., Ltd.	111,605	105,110	1,456	103,654	13,163	( 2,055)	( 2,045)	-
Hwa Yu Co., Ltd.	1,450,378	1,067,373	-	1,067,373	-	( 37,539)	( 37,542)	( 0.82)
Hwa Lin Investment Ltd.	1,328,660	963,670	-	963,670	25,685	( 47,564)	( 35,495)	( 0.84)
Guangzhou Huayou Motor Maintenance Co., Ltd.	420,488	393,778	276,202	117,576	26,657	( 6,868)	( 20,807)	-
Guangzhou Huayou Motor Sale Co., Ltd.	9,990	177,197	371,557	( 194,360)	500,073	( 9,316)	( 8,562)	-
Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd.	437,557	262,302	129,789	132,513	824,799	4,264	( 2,865)	-
Sichuan Houwei Cars Service And Maintenance Co., Ltd.	14,985	396	1,113	( 717)	0	( 909)	( 875)	-
Sichuan Lingwei Cars Service And Maintenance Co., Ltd.	9,990	11,309	11,266	43	74,482	( 2,251)	( 2,289)	-
Tianjin Hwarui Maintenance Co., Ltd.	263,257	241,281	105,341	135,940	40,923	( 977)	7,450	-
Tianjin Hwahong Sale Co., Ltd.	299,700	296,328	20,831	275,497	412,007	5,649	8,450	-
Dongguan Huayi Motor Maintenance Co., Ltd.	146,071	210,383	158,720	51,663	227,933	( 9,345)	( 27,912)	-
Dongguan Huashun Motor Sale Co., Ltd.	74,925	245,056	295,664	( 50,608)	794,545	( 4,788)	( 13,838)	-

(II) Consolidated Financial Statements of Affiliated Enterprises: Same as the financial report of parent company and its subsidiaries.

# Special Disclosure

## Declaration of the Consolidated Financial Statements of Affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

China Motor Corporation



Chairperson: Kenneth Kenneth K. T



March 28, 2016

(III) Affiliation Report: None

II. Private Placement Securities during the 2015 Calendar Year and up to April 30, 2016:

None

III. Status of Shares Held or, Disposed of, by Subsidiaries during the 2015 Calendar

Year and up to April 30, 2016: None

IV. Other Special Notes: None

V. Impacts of Significant Events on Shareholders' Rights or Stock Value during the

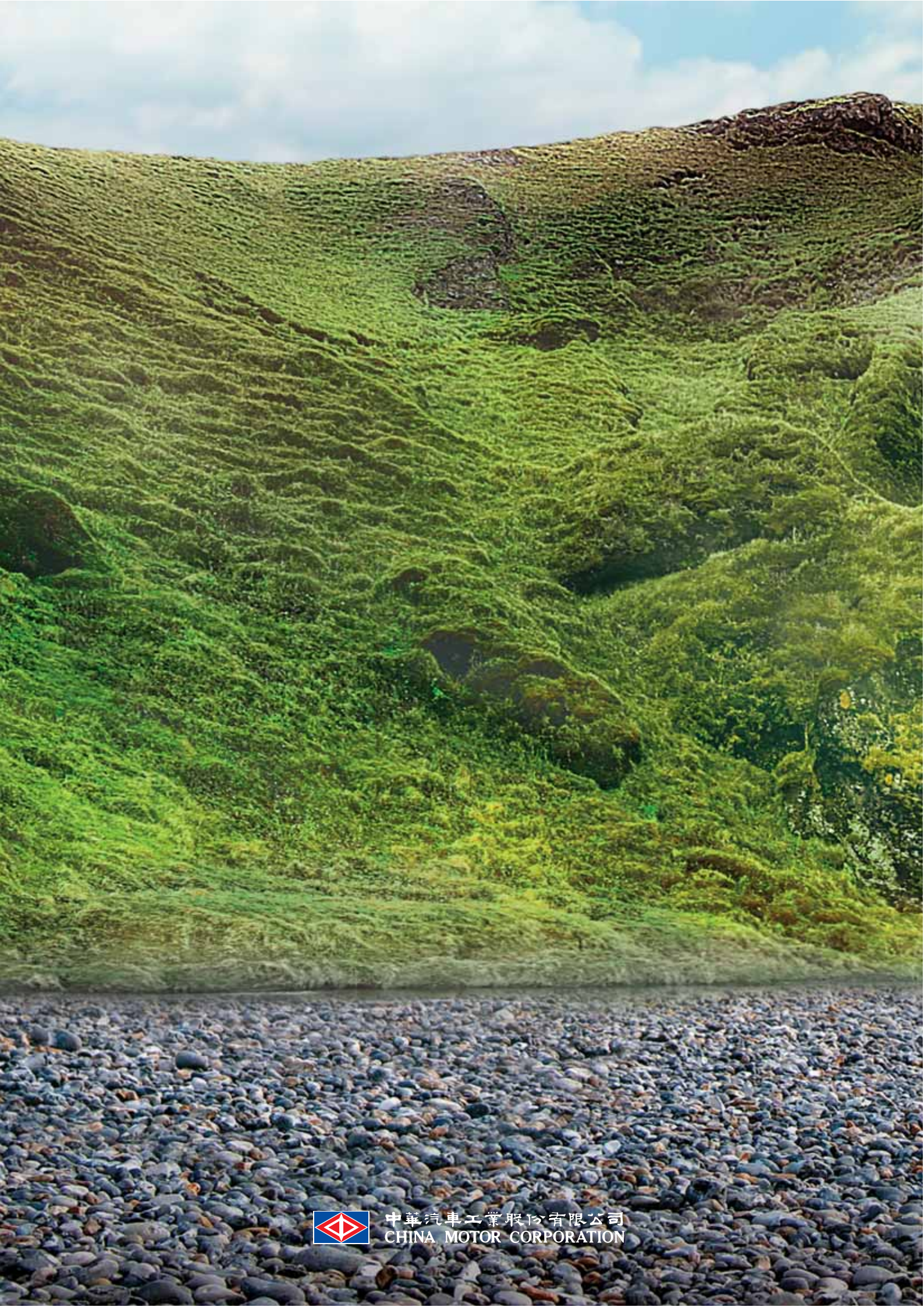
2015 Calendar Year and up to April 30, 2016: None

China Motor Corporation



Chairperson: Kenneth K.T. YEN

A handwritten signature in black ink, appearing to be the name 'Yen K.T.' in a stylized cursive script.



中華汽車工業股份有限公司  
CHINA MOTOR CORPORATION