

Stock Code : 2204

# **China Motor Corporation**

## **2021 Annual Report**

(Translation)

Printed on March 31, 2022

### **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. Name, title, telephone number, and email address of the spokesperson and deputy spokesperson:
- Spokesperson: Ching-Wu Chien  
Title: Executive Vice President  
Deputy spokesperson: Hui-Chun Lai  
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Email: 0800@china-motor.com
- II. Address and telephone number of headquarters, branch offices, and plants;
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- III. The name, address, telephone number and website of the agency handling shares transfer
- China Motor Corporation  
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Telephone: (02)25156421  
Website: <https://www.china-motor.com.tw>
- IV. The names of the certified public accountants who duly audited the annual financial report for 2021, and the name, address, telephone number and website of the accounting firm to which they belong.
- Name of accounting firm: Deloitte & Touche Taiwan  
Name of CPA: Ya-Ling Wong CPA, Shioh-Ming Shue CPA  
Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City  
Telephone: (02)27259988  
Website: <https://www.deloitte.com.tw>

- V. The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.
- VI. The Company's Website: <https://www.china-motor.com.tw>

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In 2021, the total units received number plates in the Taiwan car market was near 450,000 units. The domestic sales of CMC is 50,142 units (OEM and imported cars included); the operating revenue was NT\$27.605 billion, net operating profit was NT\$1.874 billion, net profit after tax was NT\$4.182 billion and the EPS after tax was NT\$7.67. Of which, EPS grew by 27.6% from 2020, the best record ever.

Looking to this year (2022), for the finished car sales domestically, the Company will launch the new year model of imported Eclipse Cross and 2023 model of the domestically produced Outlander in Q2 and Q3 and the re-modeled e-Veruca and brand new 3.5 tons commercial trucks in Q4. In addition, with the diversified brand business development strategy, the Company will introduce the MG brand models in Q4, to complement the product lines. As the COVID-19 pandemic and the tight global supply chains are expected to be eased gradually, the Company is striving to achieve the goal of selling 44,000 complete units (OEM and imported cars included) domestically. For the export market, in this year (2022) the existing Veruca and Delica export market will be further cultivated, and it is expected to export 1,500 units of finished cars for the full year.

For the re-investments, the investee, Fujian Benz, performed well by selling 37,000 units last year (2021), significantly up by 24% from 2020. This year (2022), it is expected to exceed 40,000 units for the whole year with the continued improvement of product competitiveness.

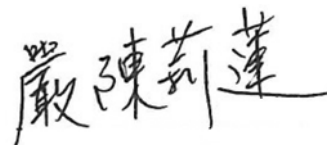
Furthermore, the two-wheel EV product developed in-house by the Company, is recognized by the market for its diversified energy refilling. Looking to this year (2022), the deployment of products will be continuously improved to expand stores actively, and introducing new business models, to drive the sales to grow during the year.



# Report to Shareholders

China Motor Corporation appreciates the dedicated support and encouragement from every shareholder from the bottom of our heart. The automobile market competition will become even more fierce in 2022, we will still work towards creating better sales performance for the Company to reciprocate our shareholders.

Chairperson Li-Lien Chen Yen

A handwritten signature in black ink, consisting of stylized Chinese characters, likely reading '嚴陳莉蓮' (Yan Chen Li-Lien).

March 31, 2022

# Company Overview

## I. Date of Incorporation

June 13, 1969

## II. Company History

- Year 1969 The Corporation was founded by late Yen Ching Ling with capital amounted NT\$100 million.
- Year 1970 The Corporation signed a technical cooperation contract with Mitsubishi Motors Corporation.
- Year 1973 Yangmei Plant was built, and launched formal production
- Year 1986 Mitsubishi Motors Corporation (MMC) and Mitsubishi Corporation officially invested the Corporation, holding 19% and 6% of the stock respectively.
- Year 1988 Verica, a light commercial vehicle, was developed by the Corporation successfully, launched for formal production.
- Year 1990 Mechanical stamping plant was built, and Hsinchu Plant was built.
- Year 1993 Our first product in the sedan field - official launch of Mitsubishi Grand Lancer. The production amount of cars in the same year broke 500 thousand.
- Year 1998 Over 1 million cars were sold.
- Year 1999 South East Motor Co., Ltd. was completed for production. In the same year, the main building of CARTEC was completed, and the "China Motor Corporation Indigenous Cultural and Educational Foundation" was founded.
- Year 2006 The Corporation signed a letter of intent with Chrysler to produce Dodge brand vehicles and exported them to Mexico from Taiwan. In the same year, 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.
- Year 2007 The plant of Fujian Daimler Motors Industry Co., Ltd. (now Fujian Benz Automotive Co., Ltd.) was constructed.
- Year 2010 The Corporation joined in green energy industry, releasing "e-moving," an electric scooter.
- Year 2012 Export of the Lance Fortis to the Middle East market. CMC cooperated with Mitsubishi Motors Japan to march toward the international market together with the work divided into production and marketing.

# Company Overview

- Year 2013 Self-owned brand 3.5T Leadca commercial vehicle was released.
- Year 2015 Research and develop Zinger independently, and have the car released with China Motor Brand.
- Year 2016 China Motor Corporation helped Mitsubishi Motor Corporation with international division of labor. The first batch of modules was shipped to Indonesia.
- Year 2017 The Grand Lancer, of which China-motor Asia Research & Technology Center (CARTEC) led the development, was launched.
- Year 2018 Launch of China Motor Corporation A180/A190.
- Year 2019 Ms. Yen-Chen, Li-Lian succeeded the position of the Chairperson.
- Year 2019 the brand-new corporate vision and identity has been publicized, as a celebration to the Company's 50th anniversary.
- Year 2020 Launch of independently researched and developed Zinger Pickup.
- Year 2020 eMOVING and Gogoro announced their cooperation to meet the needs of different types of consumers with various energy supplementing technologies.

## III. Business Results

- (I) Won the top 5% of "Corporate Governance Evaluation" for seven consecutive years
- (II) Ranked No. 17 in the Large-scale Enterprise Group of the "CSR Award of Commonwealth Magazine" and No. 2 in the automobile industry for
- (III) Golden Award of "CHR Health Corporate Citizenship Award"
- (IV) National 1st Place in "Contest for Creative Re-Design of Jobs for Middle-Aged and Senior Worker" by Ministry of Labor
- (V) Included in the "Taiwan Sustainability Index" as component.

## IV. Charity Activities

CMC insists the brand spirit of "launching to happiness," to take the caring for rural areas and rooting in the land as its important missions; by focusing on the four major axes including "core functions, richly cultivating the aboriginals, knowledge education, and attention to urban and rural areas," resources are invested, and employees, and distributors, and vendors participate

engage in hand in hand.

### **(I) Promote the Rural Partnership Program**

China Motor Corporation has long supported the production and marketing activities of the indigenous people. Every year, through the response of the employees, we purchase the harvest from tribes regularly, and since 2016, we have introduced the organic vegetables grown by the indigenous farmers to the employees' restaurants, and now we still supply them three days a week to take care of our employees' health. In addition, since 2018, we have called for the participation of third-party factories to form the "Alliance of Enterprises Supporting Indigenous People's Production and Marketing," gathering the strength of nearly 50 third-party factories to jointly purchase on a long-term basis in order to expand the purchasing volume, hoping to support the sustainable development of indigenous tribes through a complete production and marketing cycle and to stabilize the livelihood of indigenous small farmers.

### **(II) Vehicle maintenance service tour to guard the vehicle safety in rural areas**

Launch the “Vehicle maintenance service tour” for areas with lower service density, such as rural, coastal and mountainous areas by combining the cooperation of China Motor, Fortune Motors, and China Motor Corporation Association. Up to now, more than 4,000 vehicles in the rural areas were repaired. Not only greatly saving the travel time and fuel expenses for these vehicle owners at the rural places, it also effectively solves the problem that 83% of vehicle owners at the rural places never return to the car maker for maintenance. In 2021, due to the pandemic, some public welfare sessions were suspended. CMC changed the original event to “Free Ambulance Maintenance Activity under Migratory Bird Vehicle Maintenance Tour Service.” During the event, total 77 ambulances around Taiwan were diagnosed and maintained free of charge, as a contribution to these hard-working paramedics.

# Company Overview

## **(II) China Motor Corporation's Happiness Guard Bus touring around rural areas**

Since 2016, China Motor Corporation has initiated the “Happiness Guardian Program,” a long-term, ongoing effort to donate Happiness Guard buses to organizations in need, to take concrete action to protect the happiness and safety of children. The Happiness Guardian Program donates three Delica Happiness Guard buses each year; as of now, 11 vehicles have been donated. In addition, China Motor Corporation's “Happiness Guard Programme” provides an annual purchase subsidy of NT\$30,000 (limited to 50 units per year) to all children's social welfare organizations, elementary schools and kindergartens attached to elementary schools in Taiwan for children's cars over 10 years old or passenger cars and vans with 8 persons or more, in order to care for the happiness and safety of children and provide better care for underprivileged children in Taiwan.

## **(IV) “Pu Pu Carpool” program helps the MOTC to mend the last mile of rural connection**

In 2021, CMC has engaged in the “Pu Pu Carpool” program of the MOTC, to apply its corporate strength, to assist in providing transportation and carpool services in the rural areas in Hualien and Taitung. The first Delica dedicated vehicle joining the “Pu Pu Carpool” program started to operate in the “Happy Bus 2.0” in Fuli Township, Hualien County at the end of November 2021. It provides flexible shuttle services for local residents on the reservation base. In addition, the second vehicle for the “Pu Pu Carpool” service invested by CMC was also donated to Yanping Township (cross to Beinan), Taitung; through the “Happiness Guarding Project,” to provide carpool services to the residents in aboriginal clusters such as Luanshan Village, Taoyuan Village, and Liji Village.

## **(V) Education in rural areas sows the seeds of knowledge for schoolchildren in rural areas**

To reinforce the link between CMC and community, since 2017, the Company has hosted the

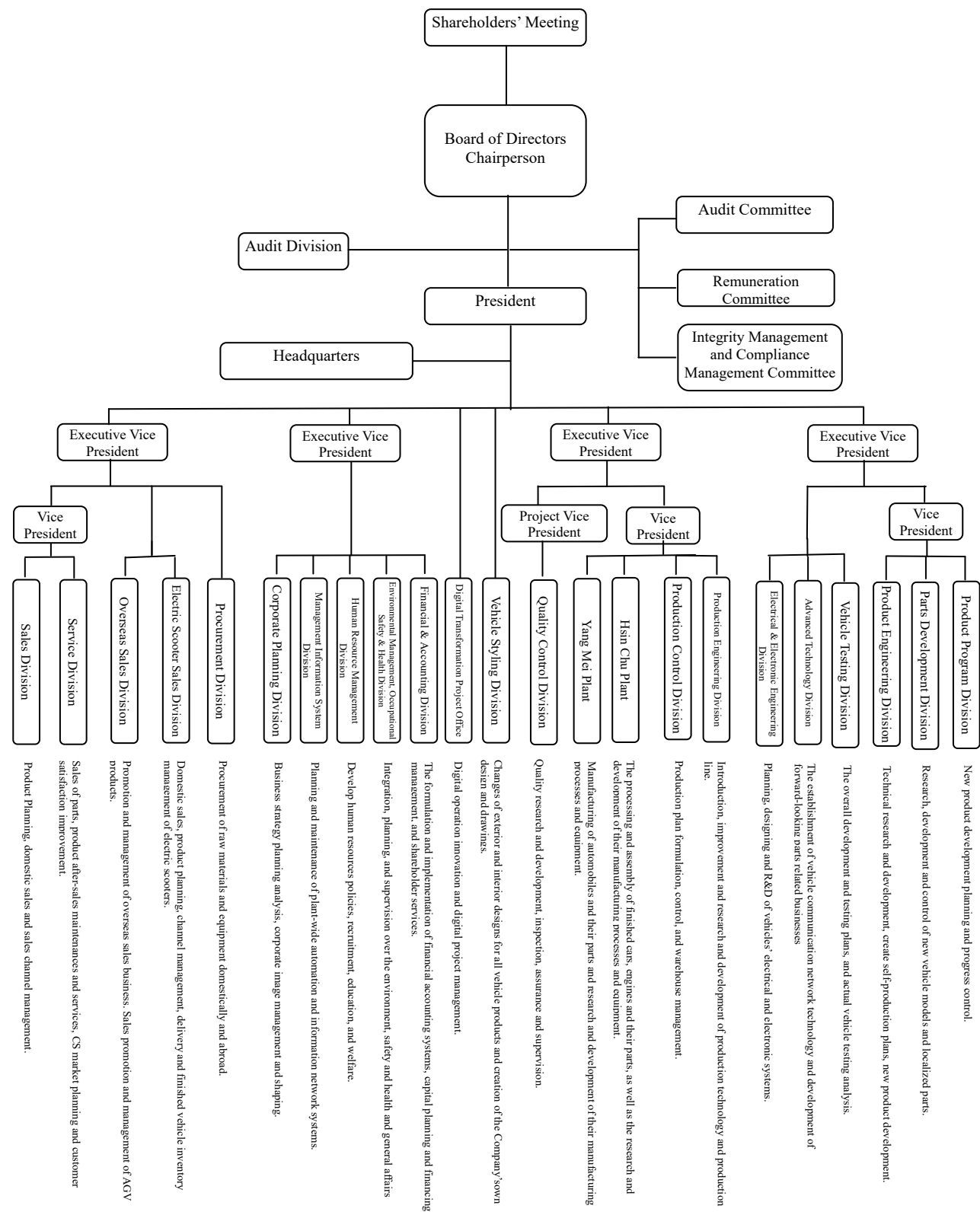
“Traffic Safety Camps” to plant the traffic safe concept in children’s heart. As of 2017, the camp was held in nearly 20 elementary schools in the rural places around Taiwan, Penghu, and Kimmen, benefitting nearly 1,500 school children. Currently, the “Taoyuan Fuxing Township Aboriginal Primary School Project” has also been launched. The Company goes to the aboriginal primary school at the rural areas in Fuxing Township, Taoyuan County, to hold a traffic safety experience camp, and expands the event by inviting the sales representatives from distributor to join, for expanding the corporate influence.

**(VI) Create a volunteer service culture that roots in Taiwan and feed back to the society**

In order to enhance the overall volunteer service atmosphere and sense of honor, CMC has included the promotion of public welfare activities in the department guidelines since 2017. Through the “CMC Corporate Social Responsibility Section” and “Volunteer Reward System,” the promotion has been conducted in the manner of accumulating department/individual honor points. Not only employees participating in public welfare activities may enjoy three days of volunteer leave a year, public welfare vehicles and public welfare-related resources, at the end of each year, the outperformed departments and their heads are publicly praised, to encourage employees to engage in public welfare activities spontaneously for the honor of the departmental honors.

# Corporate Governance Report

## I. Organizational System



# Corporate Governance Report

## II. Information on the company's Directors, President, Executive Vice President, Vice President, and the Supervisors of all the company's divisions and branch units

### (I) Information on Board of Directors

March 31, 2022

Title	Nationality or place of registration	Name	Gender Age	Elected date	The commencement date of the first term	Term of contract	Shareholding when elected		Current shareholding		Spouse and children of minor age's current shareholding	
							Number of shares	%	Number of shares	%	Number of shares	%
Chairperson	R.O.C.	Yulon Motor Co., Ltd. Representative Li-Lien Chen Yen	Female 55-60 years old	2019.06.26	1994.07.01	3 years	111,480,444	8.05	44,592,177 *2,216,162	8.05 0.40	4,432,322	0.80
Director	Japan	Mitsubishi Motors Corporation Representative Toshinaga Kato (Note)	Male 65-70 years old	2019.12.16	2019.12.16	3 years	193,768,273	14.00	77,507,309	14.00	-	-
Director	R.O.C.	Tai Yuen Textile Co., Ltd. Representative Hsin-I Lin	Male 70-75 years old	2019.06.26	1984.07.20	3 years	348,589,538	25.19	139,435,815	25.19	-	-

\*It indicates personal shareholding.

Note: Toshinaga Kato is the representative of Mitsubishi Motors Corporation; from April 15, 2022, Toshinaga Kato was replaced by Yoichi Yokozawa as the representative of directors.



# Corporate Governance Report

Shareholding in other's name		Principal work experience and academic qualifications	Position(s) held concurrently in the company and / or in any other company	Other Managerial Roles, Directors, or Supervisors who are spouses, or relatives within the second degree of kinship.			Remark
Number of shares	%			Title	Name	Relationship	
-	-	Department of Physical Education, Chinese Culture University Work experience is described as those in the right column	Chairperson, Yulon Motor Co., Ltd. Chairperson, Yulon Nissan Motor Co., Ltd. Chairperson, Taiwan Acceptance Corporation Chairperson, Tai Yuen Textile Co., Ltd. Chairman, Carnival Industrial Corporation Director, Yulon Construction Co., Ltd. Chairman and President, Yulon Management Co., Ltd.  For other details, please refer to the "Summary of affiliated companies"	-	-	-	-
-	-	Department of Law, Waseda University, Japan Work experience is described as those in the right column	Chief of North Asia Department, Mitsubishi Motors Corporation Vice Chairman, GAC Mitsubishi Motor Co., Ltd. Vice Chairman, GAC Mitsubishi Distribution Co., Ltd. Vice Chairperson, Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. Mitsubishi Motors (China) Co., Ltd. Director, Fortune Motors Co., Ltd.	-	-	-	-
-	-	Department of Mechanical Engineering, National Cheng Kung University Chairperson, Industrial Technology Research Institute Vice Premier, Executive Yuan and Chairperson, Council for Economic Planning and Development Minister, Ministry of Economic Affairs President, Taiwan Transportation Vehicle Manufacturers Association Vice Chairman and General Manager, China-Motor Corporation	Director, Yulon Motor Co., Ltd. Executive Director and Independent Director, Shihlin Electric & Engineering Corporation	-	-	-	-

# Corporate Governance Report

Title	Nationality or place of registration	Name	Gender Age	Elected date	The commencement date of the first term	Term of contract	Shareholding when elected		Current shareholding		Spouse and children of minor age's current shareholding	
							Number of shares	%	Number of shares	%	Number of shares	%
Director	R.O.C.	Tai Yuen Textile Co., Ltd. Representative Chen-Hsiang Yao	Male 65-70 years old	2021.02.26	2021.02.26	3 years	348,589,538	25.19	139,435,815	25.19	-	-
Director	R.O.C.	Tai Yuen Textile Co., Ltd. Representative Chao-Wen Chen	Male 55-60 years old	2019.06.26	2016.06.24	3 years	348,589,538	25.19	139,435,815	25.19	-	-
Director	R.O.C.	Yulon Motor Co., Ltd. Representative Tai-Ming Chen	Male 55-60 years old	2019.06.26	2008.07.21	3 years	111,480,444	8.05	44,592,177	8.05	-	-

# Corporate Governance Report

Shareholding in other's name Current shareholding		Principal work experience and academic qualifications	Position(s) held concurrently in the company and / or in any other company	Other Managerial Roles, Directors, or Supervisors who are spouses, or relatives within the second degree of kinship.			Remark
Number of shares	%			Title	Name	Relationship	
-	-	MIB, Curtin University, Australia Vice President, Yulon Motor Co., Ltd.	President and Director, Yulon Motor Co., Ltd. Director, Yulon Nissan Motor Co., Ltd. Director, Taiwan Acceptance Corporation Director, Foxtron Vehicle Technologies Co., Ltd. Chairman, Yulon Construction Co., Ltd. Director, Yulon Management Co., Ltd. Chairman, Yulon (China) Automobile Investment Company Chairman, Uni Auto Parts Manufacture Co., Ltd. Supervisor, Dongfeng Yulon Motor Co., Ltd. Director, Guangzhou Fengshen Automobile Co., Ltd.	-	-	-	-
-	-	Executives Program of Graduate School of Business Administration, National Chengchi University Department of Chemical Engineering, Chung Yuan Christian University Assistant General Manager, China-Motor Corporation Deputy Assistant General Manager, China-Motor Corporation Manager, Production Technology Division, China-Motor Corporation	Director and General Manager, China-Motor Corporation Chairperson, Kain Shen Corporation Chairperson, ROC-Spicer Ltd. Chairperson,  For other details, please refer to the "Summary of affiliated companies"	-	-	-	-
-	-	LLM, Boston University Bachelor, Department of Law, National Taiwan University	Supervisor Tai Yuen Textile Co., Ltd. Senior Consultant, Jones Day Taipei Office Independent Director, Simplo Technology Co., Ltd. Independent Director, PCL Technologies, Inc. Independent Director, Orient Pharma Co., Ltd.	-	-	-	-

# Corporate Governance Report

Title	Nationality or place of registration	Name	Gender Age	Elected date	The commencement date of the first term	Term of contract	Shareholding when elected		Current shareholding		Spouse and children of minor age's current shareholding	
							Number of shares	%	Number of shares	%	Number of shares	%
Director	R.O.C.	Le Wen Enterprise Co., Ltd. Representative Hsin-Cheng Tseng	Male 55-60 years old	2019.06.26	2018.11.20	3 years	5,539,400	0.40	2,215,760	0.40	-	-
Independent Director	R.O.C.	Chi-Ching Chen	Male 65-70 years old	2019.06.26	2016.06.24	3 years	-	-	-	-	-	-
Independent Director	R.O.C.	Wei-Ching Lue	Female 65-70 years old	2019.06.26	2019.06.26	3 years	-	-	-	-	-	-
Independent Director	R.O.C.	Yun-Hua Yang	Male 55-60 years old	2019.06.26	2016.06.24	3 years	-	-	-	-	-	-

# Corporate Governance Report

Shareholding in other's name Current shareholding		Principal work experience and academic qualifications	Position(s) held concurrently in the company and / or in any other company	Other Managerial Roles, Directors, or Supervisors who are spouses, or relatives within the second degree of kinship.			Remark
Number of shares	%			Title	Name	Relationship	
-	-	MBA, National Chengchi University Department of Nuclear Engineering and Science, National Tsing Hua University Deputy Assistant General Manager, China-Motor Corporation General Manager, Service Division, China-Motor Corporation	Director and Executive Vice President, China-Motor Corporation Director, Kain Shen Corporation Director, ROC-Spicer Ltd.  For other details, please refer to the "Summary of affiliated companies"	-	-	-	-
-	-	MBA, Massachusetts Institute of Technology Sloan School of Management EMBA, College of Commerce, Global Economics and Trading Management, National Chengchi University Director, GogaMedia Limited Co. Director, Financial One Corp.	Member of Remuneration Committee, China-Motor Corporation Independent Director and Member of Remuneration Committee, Taiwan Acceptance Corporation Member of Remuneration Committee, Kian Shen Corporation Director, Haofeng Assets Co., Ltd.	-	-	-	-
-	-	Master, Graduate School, Department of Land Economics, National Chengchi University Deputy Major, New Taipei City Government Commissioner, Department of Finance, New Taipei City Government Deputy Director-General, National Treasury Administration, Ministry of Finance Counselor, Ministry of Finance	Member of Remuneration Committee, China-Motor Corporation Independent Director and Member of Remuneration Committee, Kian Shen Corporation	-	-	-	-
-	-	PhD of Law, Eberhard Karls Universität in Tübingen, Germany LLM, Department of Law, National Taiwan University Professor, Department of	Member of Remuneration Committee, China-Motor Corporation Independent Director and Remuneration Committee, Yulon Nissan Motor Co., Ltd. Independent Director, Universal Vision Biotechnology, Co., Ltd.	-	-	-	-

Corporate Governance Report

		Law, National Chengchi University Member of Law Amendment Committee, Judicial Yuan Member of Prosecutor Appraisal Committee Member of Lawyer Discipline Committee					
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# Corporate Governance Report

Table 1: Major Shareholders of the Institutional Shareholders

April 25, 2022

Name of the institutional shareholder	Major Shareholders of the institutional shareholder
1. Tai Yuen Textile Co., Ltd.	1. Xian Wei Investment Co., Ltd. (22.15%) 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. Caymans Islands West Bridge Investment Company (9.13%) 6. Li Yuan Investment Corporation (7.17%) 7. Yong shun Investment Corporation (6.82%) 8. Diamond Hosiery & Thread Co., Ltd. (5.89%) 9. Li Peng Investment Co., Ltd. (5.61%) 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 (16.67%) 3. Li-Lien Chen Yen (3.42%) 4. Daughter of Li-Lien Chen Yen (3.39%) 5. Son of Li-Lien Chen Yen (3.39%) 6. Fan-Terh Investment Co., Ltd. (1.72%) 7. Yen Tjing Ling Industrial Development Foundation (1.09%) 8. New Labor Pension Fund (0.92%) 9. JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund (0.78%) 10. Investment account at the Norges Bank under the custody of Citibank (0.77%)
3. Mitsubishi Motors Corporation	1. Nissan Motor Co., Ltd. (34.02%) 2. Mitsubishi Corporation (20.01%) 3. The Master Trust Bank of Japan, Ltd. (Trust Account) (5.42%) 4. Mitsubishi Heavy Industries, Ltd. (1.44%) 5. Mitsubishi UFJ Trust and Banking Corporation (0.99%) 6. BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (0.83%) 7. Custody Bank of Japan, Ltd. (Trust Account) (0.64%) 8. SIX SIS LTD. (0.63%) 9. Custody Bank of Japan, Ltd. (Trust Account 7) (0.60%) 10. JP MORGAN CHASE BANK 385781 (0.53%)
4. Le Wen Enterprise Co., Ltd.	1. Wei Tai Investment Co., Ltd. (40.32%) 2. Wavin Investment Co., Ltd. (30.63%) 3. Fan-Terh Investment Co., Ltd. (18.92%) 4. Li-Lien Chen Yen (3.39%) 5. Daughter of Li-Lien Chen Yen (3.37%) 6. Son of Li-Lien Chen Yen (3.37%)

# Corporate Governance Report

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

April 25, 2022

Name of the Corporation	Major Shareholders of the Corporation
1. Xian Wei Investment Co., Ltd.	1. Tai Yuen Textile Co., Ltd. (90.60%) 2. Diamond Hosiery & Thread Co., Ltd. (9.40%)
2. Yen Tjing Ling Industrial Development Foundation	The Foundation is funded 100% by Mr. Yen, Ching-Ling (deceased) and Ms. Wu, Shuen-Wen (deceased).
3. British Virgin Islands Hoffman Brother Investment Company	The information is not available due to the limitations of local practices.
4. British Virgin Islands Evans Corporation	The information is not available due to the limitations of local practices.
5. Caymans Islands West Bridge Investment Company	The information is not available due to the limitations of local practices.
6. Li Yuan Investment Co., Ltd.	1. Vivian Wu Industry and Commerce ECCC Foundation (99.126%) 2. Diamond Hosiery & Thread Co., Ltd. (0.869%) 3. Fan-Terh Investment Co., Ltd. (0.001%) 4. Wei Tai Investment Co., Ltd. (0.001%) 5. Le Wen Enterprise Co., Ltd. (0.001%) 6. Vincent Investment Co., Ltd. (0.001%) 7. Wavin Investment Co., Ltd. (0.001%)
7. Yong shun Investment Corporation	1. Vivian Wu Industry and Commerce ECCC Foundation (99.083%) 2. Diamond Hosiery & Thread Co., Ltd. (0.912%) 3. Fan-Terh Investment Co., Ltd. (0.001%) 4. Wei Tai Investment Co., Ltd. (0.001%) 5. Le Wen Enterprise Co., Ltd. (0.001%) 6. Vincent Investment Co., Ltd. (0.001%) 7. Wavin Investment Co., Ltd. (0.001%)
8. Diamond Hosiery & Thread Co., Ltd.	1. British Virgin Islands Wanda Company (72.51%) 2. Tai Yuen Textile Co., Ltd. (21.97%) 3. Xian Wei Investment Co., Ltd. (5.09%) 4. Vivian Wu Industry and Commerce ECCC Foundation (0.1684%) 5. Le Wen Enterprise Co., Ltd. (0.13%) 6. Wavin Investment Co., Ltd. (0.13%) 7. Li-Lien Chen Yen (0.0002%) 8. Daughter of Li-Lien Chen Yen (0.0002%) 9. Son of Li-Lien Chen Yen (0.0002%)
9. Li Peng Investment Co., Ltd.	1. Vivian Wu Industry and Commerce ECCC Foundation (98.993%) 2. Diamond Hosiery & Thread Co., Ltd. (1.002%) 3. Fan-Terh Investment Co., Ltd. (0.001%) 4. Wei Tai Investment Co., Ltd. (0.001%) 5. Le Wen Enterprise Co., Ltd. (0.001%) 6. Vincent Investment Co., Ltd. (0.001%) 7. Wavin Investment Co., Ltd. (0.001%)
10. Yuan Wei Investment Co., Ltd.	1. Vivian Wu Industry and Commerce ECCC Foundation (91.513%) 2. Diamond Hosiery & Thread Co., Ltd. (8.477%) 3. Fan-Terh Investment Co., Ltd. (0.002%)



# Corporate Governance Report

Name of the Corporation	Major Shareholders of the Corporation
	4. Wei Tai Investment Co., Ltd. (0.002%) 5. Le Wen Enterprise Co., Ltd. (0.002%) 6. Vincent Investment Co., Ltd. (0.002%) 7. Wavin Investment Co., Ltd. (0.002%)
11. China Motors Corporation	1. Tai Yuen Textile Co., Ltd. (25.19%) 2. Mitsubishi Motors Corporation (14.00%) 3. Yulon Motor Co., Ltd. (8.05%) 4. Diamond Hosiery & Thread Co., Ltd. (6.76%) 5. Nan Shan Life Insurance Co., Ltd. (2.70%) 6. Taiwan Life Insurance Co., Ltd. (1.18%) 7. Taiwan Business Bank Co., Ltd. (0.94%) 8. Fan-Terh Investment Co., Ltd. (0.88%) 9. Yung Han Investment Co., Ltd. (0.72%) 10. JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund (0.64%)
12. Fan-Terh Investment Co., Ltd.	1. Wei Tai Investment Co., Ltd. (33.36%) 2. Wavin Investment Co., Ltd. (33.34%) 3. Le Wen Enterprise Co., Ltd. (33.30%)
13. New Labor Pension Fund	None.
14. JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund	None.
15. Investment account at the Norges Bank under the custody of Citibank	None.
16. Nissan Motor Co., Ltd.	1. Renault S.A. (43.40%) 2. The Master Trust Bank of Japan Ltd.(Shintaku-guchi) (3.72%) 3. The Chase Manhattan Bank, N.A. London Special Account No.1 (3.38%) 4. Custody Bank of Japan (Shintaku-guchi) (1.38%) 5. Nippon Life Insurance (1.28%) 6. Custody Bank of Japan (Shintaku-guchi 5) (1.17%) 7. Custody Bank of Japan (Shintaku-guchi 9) (1.12%) 8. State Street Bank West Client - Treaty 505234 (0.78%) 9. JP Morgan Chase Bank 385781 (0.76%) 10. Moxley and Co LLC (0.63%)
17. Mitsubishi Corporation	1. The Master Trust Bank of Japan, Ltd. (Trust Account) (12.59%) 2. Custody Bank of Japan, Ltd. (Trust Account) (5.52%) 3. BNYM AS AGT/CLTS NON TREATY JASDEC (5.40%) 4. Meiji Yasuda Life Insurance Company (4.38%) 5. Tokio Marine & Nichido Fire Insurance Co. (3.53%) 6. The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Ltd. Retirement Benefit Trust Account) (2.18%) 7. STATE STREET BANK WEST CLIENT - TREATY 505234 (1.42%) 8. JP Morgan Securities Co., Ltd. (1.28%) 9. SMBC Nikko Securities Inc. (1.27%) 10. The Master Trust Bank of Japan, Ltd. (Mitsubishi Electric Corporation Retirement Benefit Trust Account) (1.20%)

# Corporate Governance Report

Name of the Corporation	Major Shareholders of the Corporation
18. The Master Trust Bank of Japan, Ltd. (Trust Account)	<ol style="list-style-type: none"> <li>1. Mitsubishi UFJ Trust and Banking Corporation (46.50%)</li> <li>2. Nippon Life Insurance Company (33.50%)</li> <li>3. Meiji Yasuda Life Insurance Company (10.00%)</li> <li>4. The Norinchukin Trust &amp; Banking Co., Ltd. (10.00%)</li> </ol>
19. Mitsubishi Heavy Industries, Ltd.	<ol style="list-style-type: none"> <li>1. The Master Trust Bank of Japan, Ltd. (Trust Account) (12.90%)</li> <li>2. Custody Bank of Japan, Ltd. (Trust Account) (5.10%)</li> <li>3. Meiji Yasuda Life Insurance Company (2.30%)</li> <li>4. The Nomura Trust and Banking Co., Ltd. Retirement Benefit Trust Mitsubishi UFJ Bank Account) (1.90%)</li> <li>5. Custody Bank of Japan, Ltd. (Trust Account 7) (1.80%)</li> <li>6. Mitsubishi Heavy Industries Shareholding Organization (1.70%)</li> <li>7. STATE STREET BANK WEST CLIENT-TREATY 505234 (1.60%)</li> <li>8. JP MORGAN CHASE BANK 385781 (1.00%)</li> <li>9. GOVERNMENT OF NORWAY (1.00%)</li> <li>10. JP Morgan Securities Co., Ltd. (1.00%)</li> </ol>
20. Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Financial Group, Inc. (100%)
21. BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	The information is not available due to the limitations of local practices.
22. Custody Bank of Japan, Ltd. (Trust Account)	<ol style="list-style-type: none"> <li>1. Sumitomo Mitsui Trust Holdings, Inc. (33.30%)</li> <li>2. Mizuho Financial Group, Inc (27.00%)</li> <li>3. Resona Bank, Limited (16.70%)</li> <li>4. Dai-ichi Life Insurance Company, Limited (8.00%)</li> <li>5. Asahi Mutual Life Insurance Company (5.00%)</li> <li>6. Meiji Yasuda Life Insurance Company (4.50%)</li> <li>7. Japan Post Life Insurance Co., Ltd. (3.50%)</li> <li>8. Fukoku Mutual Life Insurance Company (2.00%)</li> </ol>
23. SIX SIS LTD.	The information is not available due to the limitations of local practices.
24. Custody Bank of Japan, Ltd. (Trust Account 7)	The information is not available due to the limitations of local practices.
25.JP MORGAN CHASE BANK 385781	The information is not available due to the limitations of local practices.
26. Wei Tai Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Li-Lien Chen Yen (33.32%)</li> <li>2. Daughter of Li-Lien Chen Yen (33.29%)</li> <li>3. Son of Li-Lien Chen Yen (33.29%)</li> <li>4. Fan-Terh Investment Co., Ltd. (0.04%)</li> <li>5. Wavin Investment Co., Ltd. (0.02%)</li> <li>6. Le Wen Enterprise Co., Ltd. (0.02%)</li> <li>7. Jing Yu Investment Co., Ltd. (0.02%)</li> </ol>
27. Wavin Investment Co., Ltd.	<ol style="list-style-type: none"> <li>1. Li-Lien Chen Yen (28.83%)</li> <li>2. Daughter of Li-Lien Chen Yen (28.73%)</li> <li>3. Son of Li-Lien Chen Yen (28.73%)</li> <li>4. Le Wen Enterprise Co., Ltd. (10.74%)</li> <li>5. Jing Yu Investment Co., Ltd. (2.76%)</li> <li>6. Fan-Terh Investment Co., Ltd. (0.10%)</li> <li>7. Wei Tai Investment Co., Ltd. (0.10%)</li> </ol>

# Corporate Governance Report

## (II) Directors' Professional Expertise and Independence Status

### 1. Information disclosure for director's professional qualification and independence:

March 31, 2022

Condition Director's Name	Director's diversity				Independence	Number of other public offering companies, which the Director concurrently serving as independent Director within
	Gender	Nationality	Age	Professional qualification and experience		
Li-Lien Chen Yen	Female	R.O.C.	55-60 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page13-19	1. None of the directors (independent directors included) has the circumstances set forth in Article 26-3 of the Securities and Exchange Act and Article 30 of the Company Act. 2. Every year, the Company obtains the statement from the independent directors, to ensure the independent directors to keep meeting the required qualifications set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and the requirements in Article 14-2 of the Securities and Exchange Act.	-
Toshinaga Kato	Male	Japan	65-70 years old	Professional qualification: International Business Management Experience: Please refer to the director's information on Page13-19		-
Hsin-I Lin	Male	R.O.C.	70-75 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page13-19		1
Chen-Hsiang Yao	Male	R.O.C.	65-70 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page13-19		-
Chao-Wen Chen	Male	R.O.C.	55-60 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page13-19		-
Tai-Ming Chen	Male	R.O.C.	55-60 years old	Professional qualification: Laws Experience: Please refer to the director's information on Page13-19		3
Hsin-Cheng Tseng	Male	R.O.C.	55-60 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page13-19		-
Independent Director Chi-Ching Chen	Male	R.O.C.	65-70 years old	Professional qualification: Operations management Experience: Please refer to the		1

# Corporate Governance Report

				director's information on Page13-19		
Independent Director Wei-Ching Lue	Female	R.O.C.	65-70 years old	Professional qualification: Finance and commerce Experience: Please refer to the director's information on Page13-19		1
Independent Director Yun-Hua Yang	Male	R.O.C.	55-60 years old	Professional qualification: Laws Experience: Please refer to the director's information on Page13-19		2

## 2. Diversity and independence of the Board of Directors:

### (1) Diversity of the Board of Directors:

The Company's board of Directors approved a policy on diversity of board members on December 19, 2016, the main elements of which are as follows.

- A. The Company will consider the diversity of board members from various aspects, including education, experience, gender, independence, professional experience and different nationalities, when selecting and reviewing Directors and Independent Directors, and will evaluate whether they can perform their duties and bring maximum benefits to the Company after joining the Board.
- B. In order for the Company's board members to meet the diversity requirements, the followings are required for measurable diversity indicators:
  - ①Independence: The composition of the Directors and the Independent Directors in the Board of the Directors should remain balanced to ensure that the Board of Directors possesses high independence. Hence, the Board of Directors of the Company should include at least three Independent Directors.
  - ②Gender: The Company is committed to maintaining a working environment free of gender discrimination. Based on the same considerations, the Company's Board of Directors includes at least one female Director.
  - ③Nationality: For the Company's diversified business portfolio, having one (including more than one) board member with a different nationality supports understanding the knowledge and insights of business operations in other countries. Hence, the Company's Board of Directors includes at least one foreign Director.
  - ④Abilities and experiences: Based on the consideration that Directors with financial, academic, and management backgrounds are eligible to provide the Company with

# Corporate Governance Report

professional management advice, the Company's Board of Directors should include at least one Director or Independent Director with professional background (such as accounting ).

- (2) Independence of the Board of Directors: Currently, there are ten directors in the board of directors, including three independent directors The independence of the board of directors is described as the table above.

# Corporate Governance Report

(III) Information on the Company's Directors, President, Executive Vice President, Vice President, and the Supervisors of all the Company's divisions and branch units

Title	Nationality	Name	Gender	Elected date	Current shareholding		Spouse and children of minor age's Current shareholding		Shareholding in other's name	
					Number of shares	%	Number of shares	%	Number of shares	%
President	R.O.C.	Chao-Wen Chen	Male	2015.06.01	-	-	-	-	-	-
Executive Vice President	R.O.C.	Hsin-Cheng Tseng	Male	2019.04.01	-	-	-	-	-	-
Executive Vice President	R.O.C.	Chen Shing Ju	Male	2020.01.01	4,621	-	8,000	-	-	-
Executive Vice President	R.O.C.	Ching-Wu Chien	Male	2021.09.01	-	-	-	-	-	-

# Corporate Governance Report

March 31, 2022

Principal work experience and academic qualifications	Position(s) held concurrently in the Company and / or in any other company	Managers who are spouses or relatives within the second degree of kinship			Remark
		Title	Name	Relationship	
Executives Program of Graduate School of Business Administration, National Chengchi University Department of Chemical Engineering, Chung Yuan Christian University Executive Vice President, China-Motor Corporation Vice President, China-Motor Corporation General Manager, Production Technology Division, China-Motor Corporation	Director and General Manager, China-Motor Corporation Chairperson, Kain Shen Corporation Chairperson, ROC-Spicer Ltd. Chairperson,  For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
MBA, National Chengchi University Department of Nuclear Engineering and Science, National Tsing Hua University Vice President, China-Motor Corporation General Manager, Service Division, China-Motor Corporation	Director and Executive Vice President, China-Motor Corporation Director, Kain Shen Corporation Director, ROC-Spicer Ltd.  For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
Department of Mechanical Engineering, National Feng Chia University Vice President, China-Motor Corporation General Manager, Product Engineering Division, China-Motor Corporation General Manager, Product Project and Testing Division, China-Motor Corporation Project Manager, Product Technology Division, China-Motor Corporation	Director, Uni-Calsonic Corp. Director, Yueki Industrial Co., Ltd. Director, Fujian Huaqing Engine Industry Ltd.  For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
Executives Program of Graduate	Supervisor, Kain Shen Corporation	-	-	-	-

## Corporate Governance Report

School of Business Administration, National Chengchi University Department of Mechanical Engineering, National Taiwan University Vice President, China-Motor Corporation General Manager, Sales Division, China-Motor Corporation General Manager, Marketing Division, China-Motor Corporation	Director, Fortune Motors Co., Ltd. Director, Fujian Benz Automotive Co., Ltd. Director, South East (Fujian) Motors Co., Ltd. Director, Mercedes-Benz Light Automotive Hongkong Limited  For other details, please refer to the “Summary of affiliated companies”				
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# Corporate Governance Report

Title	Nationality	Name	Gender	Elected date	Current shareholding		Spouse and children of minor age's Current shareholding		Shareholding in other's name	
					Number of shares	%	Number of shares	%	Number of shares	%
Executive Vice President	R.O.C.	Yang, Hung-Ching	Male	2022.01.01	-	-	-	-	-	-
Special Assistant (Deputy Assistant General Manager)	R.O.C.	Hsing-Ju Huang	Male	2016.12.19	-	-	-	-	-	-
Vice President	R.O.C.	Ching-Yun Liao	Male	2020.01.01	29	-	-	-	-	-
Vice President	R.O.C.	Huang, Kuo-wi	Male	2022.01.01	-	-	-	-	-	-

# Corporate Governance Report

Principal work experience and academic qualifications	Position(s) held concurrently in the Company and / or in any other company	Managers who are spouses or relatives within the second degree of kinship			Remark
		Title	Name	Relationship	
Department of Mechanical Engineering, National Sun Yat-Sen University Vice President, China-Motor Corporation General Manager, Development Division, China-Motor Corporation Project General Manager, Electrical Engineering and Electronics Division, China-Motor Corporation	Director, Kain Shen Corporation Director, ROC-Spicer Ltd. Director, Uni-Calsonic Corp. Director, Fuzhou Fushiang Motor Co., Ltd.	-	-	-	-
Bachelor of Science in Transportation / Industrial Design, Art Center College of Design California, USA Graphic / Industrial Design Pasadena City College California, USA Advisor, Styling Division, China-Motor Corporation Senior Manager, 2nd Design Department, Hua-Chuang Automobile Information Technical Center General Manager, Design Centre, Yulon Nissan Motor Co., Ltd. Head of Styling Division, Yulon Motor Co., Ltd.	None.	-	-	-	-
Graduate School, Department of Mechanical Engineering, National Cheng Kung University Department of Mechanical Engineering, National Cheng Kung University General Manager, Product Project Division, China-Motor Corporation Project General Manager, Product Engineering Department, China-Motor Corporation	Director, Lukemold Technologies Co., Ltd.	-	-	-	-
Graduate School, Department of Mechanical Engineering, National Taiwan University Department of Mechanical	Director, Taiway Industry Co., Ltd. Director, Fujian Spicer Drivetrain System Co., Ltd. Director, Shenyang Spicer Driveshaft Co.,	-	-	-	-

# Corporate Governance Report

Engineering, Tamkang University General Manager, Development Division, China-Motor Corporation Project General Manager, Development Division, China-Motor Corporation	Ltd. Director, Tai-ya Investment (HK) Co., Ltd.				
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# Corporate Governance Report

Title	Nationality	Name	Gender	Elected date	Current shareholding		Spouse and children of minor age's current shareholding		Shareholding in other's name	
					Number of shares	%	Number of shares	%	Number of shares	%
Vice President	R.O.C.	Tung-Tai Hsiung	Male	2022.01.01	-	-	-	-	-	-
Accounting and Finance Supervisor	R.O.C.	Chun-Ching Liao	Female	2020.01.01	-	-	-	-	-	-
Corporate governance officer	R.O.C.	Ling-Jun Lin	Female	2019.02.01	8,653	-	260	-	-	-

# Corporate Governance Report

Principal work experience and academic qualifications	Position(s) held concurrently in the Company and / or in any other company	Managers who are spouses or relatives within the second degree of kinship			Remark
		Title	Name	Relationship	
EMBA Institute, National Central University Graduate School, Department of Mechanical Engineering, National Cheng Kung University Department of Mechanical Engineering, National Cheng Kung University General Manager, Production Technology Division, China-Motor Corporation Project General Manager, Production Technology Division, China-Motor Corporation	Director, Uni Auto Parts Manufacture Co., Ltd. Director, Fuzhou Lianhong Motor Parts Co., Ltd.  For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
Department of Accounting, Tamkang University Project Manager, Sales Division, China-Motor Corporation	Supervisor, Uni-Calsonic Corp. Supervisor, Fortune Motors Co., Ltd. Supervisor, Fu Lun Motors Co., Ltd. Supervisor, Aprec (Cayman) Industrial Co., Ltd. Supervisor, South East (Fujian) Motors Co., Ltd. Supervisor, Xin Mi Co., Ltd. Supervisor, Fuzhou Xin Mi Electric Co., Ltd. For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
Master of Commerce, National Taiwan University Project General Manager, Business Management Group, China Motor Corporation Project General Manager, Planning & Management Group, China Motor Corporation Manager of General Manager Office, China Motor Corporation	None.	-	-	-	-

(IV) Remuneration paid during the most recent fiscal year to General Directors, Supervisors, President, and Executive Vice President

1. Remuneration Paid to Directors and Independent Directors

Unit: NTD\$ Thousand

Title	Name	Director's Remuneration								Total (A+B+C+D)		Total Remuneration (A+B+C+D) Over Net Profit After Tax in Percentage %		Part-time employees received related remuneration								Total Remuneration (A+B+C+D+E+F+G)		Total Remuneration (A+B+C+D+E+F+G) Over Net Profit After Tax in Percentage %		Received remuneration from other non-subsidiary invested businesses or the Parent Company
		(A) Wages		(B) Pensions		(C) Remuneration		Allowances (D)						Wages, Bonuses and Allowances (E) (Note 2)		Pensions (F)		Employee Remuneration (G)								
		From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	Cash Value	Stock Value	Cash Value	Stock Value	From the Company	From All Consolidated Entities	From the Company	From All Consolidated Entities	
Corporate Director	Yulon Motor Co., Ltd.	-	-	-	-	10,954	10,954	-	-	10,954	10,954	0.262	0.262	-	-	-	-	-	-	-	-	10,954	10,954	0.262	0.262	-
Corporate Director	Tai-Yuen Textile Co., Ltd.	-	-	-	-	6,572	6,572	-	-	6,572	6,572	0.157	0.157	-	-	-	-	-	-	-	-	6,572	6,572	0.157	0.157	-
Corporate Director	Mitsubishi Motors	-	-	-	-	2,191	2,191	-	-	2,191	2,191	0.052	0.052	-	-	-	-	-	-	-	-	2,191	2,191	0.052	0.052	-
Corporate Director	Mitsubishi Corporation (note 1)	-	-	-	-	2,191	2,191	-	-	2,191	2,191	0.052	0.052	-	-	-	-	-	-	-	-	2,191	2,191	0.052	0.052	-
Corporate Director	Le Wen Enterprise Co., Ltd.	-	-	-	-	2,191	2,191	-	-	2,191	2,191	0.052	0.052	-	-	-	-	-	-	-	-	2,191	2,191	0.052	0.052	-
Chairperson	Li-Lien Chen Yen	14,948	14,948	-	-	-	-	1,568	1,568	16,516	16,516	0.395	0.395	-	-	-	-	-	-	-	-	16,516	16,516	0.395	0.395	13,960
Director	Toshinaga Kato	-	-	-	-	-	-	120	120	120	120	0.003	0.003	-	-	-	-	-	-	-	-	120	120	0.003	0.003	-
Director	Hsin-I Lin	-	-	-	-	-	-	120	120	120	120	0.003	0.003	4,507	4,507	-	-	-	-	-	-	4,627	4,627	0.111	0.111	4,627
Director	Chen-Hsiang Yao	-	333	-	-	-	-	101	117	101	450	0.002	0.011	-	-	-	-	-	-	-	-	101	450	0.002	0.011	11,418
Director	Daisuke Okamoto (note 1)	-	-	-	-	-	-	120	120	120	120	0.003	0.003	-	-	-	-	-	-	-	-	120	120	0.003	0.003	-
Director	Chao-Wen Chen	-	726	-	-	-	-	120	224	120	950	0.003	0.023	29,023	29,023	109	109	141	-	141	-	29,393	30,223	0.703	0.723	3,354
Director	Tai-Ming Chen	-	-	-	-	-	-	120	120	120	120	0.003	0.003	-	-	-	-	-	-	-	-	120	120	0.003	0.003	-
Director	Hsin-Cheng Tseng	-	-	-	-	-	-	120	216	120	216	0.003	0.005	8,866	8,866	182	182	97	-	97	-	9,265	9,361	0.222	0.224	314
Independent Director	Chi-Ching Chen	-	-	-	-	-	-	960	960	960	960	0.023	0.023	-	-	-	-	-	-	-	-	960	960	0.023	0.023	-
Independent Director	Wei-Ching Lue	-	-	-	-	-	-	960	1,460	960	1,460	0.023	0.035	-	-	-	-	-	-	-	-	960	1,460	0.023	0.035	-
Independent Director	Yun-Hua Yang	-	-	-	-	-	-	660	660	660	660	0.016	0.016	-	-	-	-	-	-	-	-	960	960	0.016	0.016	-

1. Please specify the payment policy, system, standards, and structure of the remuneration of independent Directors, as well as the relevance between the factors, such as their responsibilities, risks, input time, and the amount of paid remuneration: For the remuneration paid to the independent Directors, a comprehensive consideration is taken, including their responsibilities, risks, and input time as a Director and a member in any functional committee, while referring to the independent Directors' remuneration in other enterprises with governmental stakes and other listed companies within the Group and then the remunerations decided pursuant to the regulations related to the Company Act, with approval from the Board of Directors.

2. In addition to the aforementioned disclosures, any remuneration received in the most recent year by the Directors of the Company for rendering services (such as serving as a non-employed consultant) to any company listed in the Financial Report: None.

Note 1: The corporate director, Mitsubishi Corporation, resigned the post of director on December 21, 2021.

Note 2: This fee includes the company's vehicle distribution fee and fuel subsidy, but does not include the relevant remuneration to the driver, which is NT\$1,085 thousand.

# Corporate Governance Report

## 2. Remuneration Paid to the President and Executive Vice President

Unit: NTD\$ Thousand

Title	Name	Wages		Pensions (B)		Bonuses and Allowances (C)		Employee Remuneration				Total (A+B+C+D)		Total Remuneration (A+B+C+D) Over Net Profit After Tax in Percentage %		Received remuneration from other non-subsidia ry invested businesses or the Parent Company
		From the Company	From All Consolidat ed Entities	From the Company	From All Consolidat ed Entities	From the Company (note 1)	From All Consolidat ed Entities	From the Company		From All Consolidated Entities		From the Company	From All Consolidat ed Entities	From the Company	From All Consolidat ed Entities	
								Cash Value	Stock Value	Cash Value	Stock Value					
President	Chao-Wen Chen	3,356	3,356	109	109	25,667	25,667	141	-	141	-	29,273	29,273	0.700	0.700	3,354
Executive Vice President	Hsin-Cheng Tseng	2,303	2,303	182	182	6,563	6,563	97	-	97	-	9,145	9,145	0.219	0.219	314
Executive Vice President	Chen Shing Ju	2,201	2,201	108	108	5,193	5,193	99	-	99	-	7,601	7,601	0.182	0.182	48
Executive Vice President	Ching-Wu Chien	1,976	1,976	64	64	3,938	3,938	94	-	94	-	6,072	6,072	0.145	0.145	22
Executive Vice President	Yang, Hung-Ching	Note 2														

Note: 1. This fee includes the company's vehicle distribution fee and fuel subsidy, but does not include the relevant remuneration to the driver, which is NT\$1,795 thousand.

2. Executive Vice President, Yang, Hung-Ching, took office on January 1, 2022; therefore, he did not receive the remunerations related to Executive Vice President in 2021.

# Corporate Governance Report

3. The ratio analysis of the remuneration paid to the Company's Directors, President and Executive Vice President to the net profit after tax during the two most recent fiscal years.

(1) The ratio analysis of the total remuneration paid over the net profit after tax Unit: NTD\$ Thousand

Payee	2021		2020		Increase (decrease) %
	Total amount of Remuneration	remuneration to the net profit after tax (%)	Total amount of Remuneration	remuneration to the net profit after tax (%)	
Director	44,016	1.053	36,606	1.117	(0.064)
President and Executive Vice President	52,091	1.246	36,909	1.126	0.120

(2) The ratio analysis of the total remuneration paid over the net profit after tax in the financial statements of the Company Unit: NTD\$ Thousand

Payee	2021		2020		Increase (decrease) %
	Total amount of Remuneration	remuneration to the net profit after tax (%)	Total amount of Remuneration	remuneration to the net profit after tax (%)	
Director	45,791	1.095	38,145	1.164	(0.069)
President and Executive Vice President	52,091	1.246	36,909	1.126	0.120

## (3) Description

A. The decrease in the ratio of total remuneration for Directors to net income after tax compared to 2020 is due to the profit in 2021 increased; also, the fixed remuneration for Directors is based on the value of their participation in and contribution to the Company's operations, which is paid at the going rate in the industry and is not specifically related to the Company's profit or loss after tax. The increase in the ratio of total remuneration for the President and Vice President to net income after tax compared is because one more Executive Vice President was added in 2021.

B. The correlation among the remuneration payment policy, standards and structure, remuneration establishing procedures, and management efficacy and risks in the future:

The remunerations paid to Directors and managers are decided by the Remuneration Committee, which reviews the annual and long term performance objectives of the Company's Directors and managers, as well as policy, standards and structure on regular basis. The achievement of these performance objectives by Directors and managers are reviewed periodically. With the consideration of remuneration amounts, payment methods, and future operating risks, the proposal is presented to the Board of Directors before implementation; the remunerations distributed from earnings require the approval of the Shareholders' meeting.

1. Policy to distribute remunerations to directors (independent directors included)



# Corporate Governance Report

Pursuant to Article 28 of the Articles of Incorporation, the Directors of the Company may receive compensations, for which the Board of Directors are authorized to decide based on the peers' standards. The remuneration of directors are considered comprehensively with their participation in the Company's operation and performance evaluation. The aspects taken into accounts including: the degree of participation in the company's operations (40%), the election of the directors and their continuing professional education (20%), internal control (20%) and grasp of the company's goals and mission and recognition of director's duties (20%); these are considered for performance appraisal and remuneration payment. The remuneration of directors and managerial officers are reviewed based on the actual operating conditions and related laws and regulations from time to time.

## 2. Policy to distribute remunerations to managerial officers

Article 27 of the Articles of Incorporation also specifies that in case that there is profit in a fiscal year, the remunerations to employees and Directors shall be provided; provided the remunerations to employees shall not be less than 0.1%, while remunerations to Directors shall not be more than 0.5%. Independent Directors are not entitled to such distribution. The remunerations to managerial officers include salaries and bonuses. For salaries, the peers' standard, title, level, education and career background, expertise and functions are referred to. For bonus, the "Guidelines of Issuing Annual Incentive Bonus and Employee Bonus", and the managerial officers performance evaluation items, including financial indicators (profitability, operating effects, and achievement rate of objectives) and non-financial indicators (e.g. contributions), are taken into accounts comprehensively, to calculate the remuneration percentage and reasonable remuneration is given. The remuneration system to Directors and managerial officers may be reviewed from time to time based on the actual operation and related laws and regulations.

## (V) Names of the managers allocating employee remuneration and the state of allocations

March 31, 2022

Unit: NTD\$ Thousand

Title		Name	Amount of Stock Dividends	Amount of Cash Dividends	Total	The ratio of total amount to the net profit after tax (%)
Managers	President	Chao-Wen Chen	-	836	836	0.020
	Executive Vice President	Hsin-Cheng Tseng				
	Executive Vice President	Chen Shing Ju				
	Executive Vice President	Ching-Wu Chien				
	Executive Vice President	Yang, Hung-Ching				
	Special Assistant (Vice President)	Hsing-Ju Huang				
	Vice President	Ching-Yun Liao				
	Vice President	Huang, Kuo-wi				
	Vice President	Tung-Tai Hsiung				
	Accounting and Finance Supervisor	Chun-Ching Liao				
	Corporate governance officer	Ling-Jun Lin				

## III. The state of the Company's implementation of corporate governance

### (I) The state of operations of the Board of Directors

1 The Board of Directors' Meeting convened seven times during the year 2021 and up to March 31, 2022, and the attendance of Directors was as follows:

Title	Name of the institutional shareholder	Name of the Representative	Number of Actual Attendance	Number of Proxy Attendance	Ratio of Actual Attendance	Remark
Chairperson	Yulon Motor Co., Ltd.	Li-Lien Chen Yen	7	0	100	
Director	Mitsubishi Motors Corporation	Toshinaga Kato	7	0	100	
Director	Tai Yuen Textile Co., Ltd.	Hsin-I Lin	7	0	100	
Director	Tai Yuen Textile Co., Ltd.	Chen-Hsiang Yao	7	0	100	
Director	Mitsubishi Corporation	Daisuke Okamoto	5	0	100	The corporate director, Mitsubishi Corporation, resigned the post of director on December 21, 2021.
Director	Tai Yuen Textile Co., Ltd.	Chao-Wen Chen	7	0	100	
Director	Yulon Motor Co., Ltd.	Tai-Ming Chen	7	0	100	
Director	Le Wen Enterprise Co., Ltd.	Hsin-Cheng Tseng	7	0	100	
Independent Director	-	Chi-Ching Chen	7	0	100	
Independent Director	-	Wei-Ching Lue	7	0	100	
Independent Director	-	Yun-Hua Yang	7	0	100	

Other information to be documented:

- 1、The operation of the board of Directors' meeting shall state the date and period of the board meeting, the content of the motion, the opinions of all independent Directors and the Company's handling of the opinions of the independent Directors if any of the following circumstances apply:
- (1) Matters listed in Article 14-3 of the Securities and Exchange Act: Since the Company established the Audit Committee, Article 14-5 of the Securities and Exchange Act is applicable and Article 14-3 of the Securities and Exchange Act is not applicable. Please refer to the description of "Operation of the Audit Committee" for relevant resolutions.
  - (2) Other than the foregoing, other resolutions of the Board of Directors that were opposed or qualified by the independent Directors and for which records or written statements are available: None.

# Corporate Governance Report

- 2、The recusal of a Director from an interest motion should include the name of the Director, the content of the motion, the reason for the recusal, and the circumstances of the vote: The Directors of the Company uphold the principle of high self-discipline and do not vote on the motions listed in the board of Directors' meeting if they have an interest that may be detrimental to the Company's interests; with respect to the recusal of an independent Director's remuneration, the Company has established internal procedures for the recusal of interest in 2017 and follows them accordingly.
- 3、Assessment of the current and most recent year's goals for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation: The Company established an audit committee in 2016.

- 2 The Board of Directors meetings were convened seven times in 2021 and up to the end of March 2022, and the attendance of independent Directors was as follows:

Attendance of Independent Directors at each Board of Directors' Meeting							
Annual	2021						2022
Meeting Date	03.23	05.11	06.24	08.03	11.09	12.21	03.15
Chi-Ching Chen	◎	◎	◎	◎	◎	◎	◎
Wei-Ching Lue	◎	◎	◎	◎	◎	◎	◎
Yun-Hua Yang	◎	◎	◎	◎	◎	◎	◎

- 3 The state of implementing Board of Directors evaluations

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
To be executed once every year	2021.01.01 ~ 2021.12.31	Evaluation of Board of Directors' Performance	Internal self-assessment by the Board of Directors	1. Level of participation in the operation of the Company 2. Improvement on the decision making quality of the Board 3. Composition and structure of the Board 4. Director election and continuing training 5. Internal Control
To be executed once every year	2021.01.01 ~ 2021.12.31	Evaluation of Individual Director's Performance	Self-assessment by the Board member	1. Understanding in the Company and duties 2. Alignment of the goals and mission of the Company; 3. Level of participation in the operation of the Company 4. Management of internal relationship and communication; 5. Directors' professionalism and continuing training 6. Internal Control

## (II) Operation of the Audit Committee:

# Corporate Governance Report

## 1 There are three members in the Company's Remuneration Committee.

Title	Name	Professional qualification and experience
Convener	Chi-Ching Chen	Chi-Ching Chen, the independent director, holds the degree of MBA from Massachusetts Institute of Technology Sloan School of Management. He had served as the director of GigaMedia Limited Co. and Financial One Corp. and now is currently serving as the independent Director and Member of Remuneration Committee, Taiwan Acceptance Corporation; member of Remuneration Committee, Kian Shen Corporation, and Director, Haofeng Assets Co., Ltd.
Committee Member	Wei-Ching Lue	Wei-Ching Lue, the independent director, holds the degree of Master, Graduate School, Department of Land Economics, National Chengchi University, and had served as Commissioner, Department of Finance, New Taipei City Government, and independent Director and Member of Remuneration Committee, Kian Shen Corporation.
Committee Member	Yun-Hua Yang	Yun-Hua Yang, the Independent Director and Remuneration Committee, holds the degree of PhD of Law, Eberhard Karls Universität in Tübingen, Germany; currently is serving as Professor, Department of Law, National Chengchi University, and had served as Member of Law Amendment Committee, Judicial Yuan, Member of Prosecutor Appraisal Committee and Lawyer Discipline Committee; currently, he is concurrently serving as independent Director and Remuneration Committee, Yulon Nissan Motor Co., Ltd. and Independent Director, Universal Vision Biotechnology, Co., Ltd.

## 2 Tenure of office: the Company established the Audit Committee in 2016, and the tenure of the 2nd intake office is from July 1, 2019 to June 30, 2022. In 2021 and up to end of March 2022, five meetings were convened and the attendance of each member is as follows:

Title	Name	Actual Attendance	Attendance Attendance	Ratio of Actual Attendance	Remark
Convener	Chi-Ching Chen	5	0	100	
Committee Member	Wei-Ching Lue	5	0	100	
Committee Member	Yun-Hua Yang	5	0	100	
Other information to be documented:					
1、If any of the following circumstances applies, the operation of the audit committee shall state the date and period of the board meeting, session, contents of proposal, contents of dissent, qualified opinions or key recommendation of independent directors, the opinions of the audit committee and the Company's handling of the opinions of the audit committee.					
(1) Matters listed in Article 14-5 of the Securities and Exchange Act: Please refer to point (5).					
(2) In addition to the foregoing, other resolutions not approved by the Audit Committee and approved by two-thirds of all Directors: None.					

# Corporate Governance Report

- 2、The circumstances under which an independent Director disqualifies himself/herself from the implementation of an interest motion shall state the name of the independent Director, the content of the motion, the reasons for the disqualification and the circumstances under which he/she participated in the vote: None.
- 3、Communication between independent Directors and internal auditors and accountants (e.g., matters, methods and results of communication regarding the Company's financial and business conditions): Please refer to (6) "Description of communication between the Company's Independent Directors and internal auditors and accountants" for details.

- 3 The purpose of the Company's Audit Committee is to assist the Board of Directors in fulfilling its role of overseeing the quality and integrity of the Company in performing accounting, auditing, financial reporting processes and financial controls related to the Company. The Audit Committee's meeting was convened four times in 2021 and discussed the following matters:
- (1) Financial statement audit and accounting policy and procedures
  - (2) Internal control system and related policy and procedures
  - (3) Material asset or derivative transactions
  - (4) Major loans, endorsements or guarantees
  - (5) Offering or issuance of securities
  - (6) Derivatives and cash investments
  - (7) Compliance
  - (8) Whether managers and Directors are involved in related party transactions and prone to conflict of interest
  - (9) Grievance report
  - (10) Fraud prevention plan and investigation report
  - (11) Information security
  - (12) Corporate risk management
  - (13) Background, independence and performance of attesting accountants
  - (14) Appointment, dismissal or remuneration of attesting accountants
  - (15) Appointment and dismissal of finance, accounting or internal audit managers
  - (16) Fulfillment of Audit Committee duties
- 4 China Motor Corporation's Audit Committee has been empowered under its foundation principles to conduct appropriate review and investigation as needed to fulfill its duties. The committee may also contact internal auditors, financial statement auditors and employees directly to serve the above purpose. The Audit Committee is also empowered to engage lawyers, CPAs or other consultants to assist its duties, and may monitor performance of the above external parties. For a complete context of Audit Committee foundation rules, please visit CMC's website.
- 5 Operation of the Audit Committee

# Corporate Governance Report

Board of Directors	Proposal description	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all Directors
The 20th term 17th 2021.03.23	1. Proposal for CMC's FY 2020 financial statements.	V	
	2. Proposal for CMC's profit distribution of year 2020.	V	
	3. Proposal to submit the "Declaration on the Internal Control System" for FY 2020.	V	
	4. The change of the Company's CPAs and evaluation of the independence and suitability of the CPAs as of year 2021.	V	
	Results of the Audit Committee Resolution (March 23, 2021): Passed unanimously by audit committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
The 20th term 12th May 11, 2021	Amendments to partial articles of the Company's "Accounting System."	V	
	Results of the Audit Committee Resolution (May 11, 2021): Passed unanimously by audit committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
The 20th term 14th August 3, 2021	3. Partial amendments to the articles of the Company's "Internal Control System of the Stock Affairs Unit" and the "Internal Audit Implementation Policies for the Stock Affairs Unit."	V	
	Results of the Audit Committee Resolution (August 3, 2021): Passed unanimously by audit committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
The 20th term 16th December 21, 2021	1. Draw up China Motor Corporation's audit operation plan for year 2022.	V	
	2. Propose to continue the granting of NTD 600 million loan to our subsidiary, Hualing Motors.	V	
	Results of the Audit Committee Resolution (December 21, 2021): Passed unanimously by audit committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
The 20th	1. The Company's 2021 Financial Reports	V	

# Corporate Governance Report

Board of Directors	Proposal description	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all Directors
term 17th March 15, 2022	2. The Company's 2021 Earnings Distribution	V	
	3. Proposal to submit the 2021 "Declaration on the Internal Control System"	V	
	4. Evaluation of the independence and suitability of the CPAs as of year 2022.	V	
	5. Amendments to partial articles of the Company's "Articles of Incorporation."	V	
	6. Amendment to the partial articles of the "Regulations Governing the Acquisition and Disposal of Assets" and "Internal Audit Implementation Policies for the Regulations Governing the Acquisition and Disposal of Assets."	V	
	Results of the Audit Committee Resolution (March 15, 2022): Passed unanimously by audit committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		

## 6 Description of communication between the Company's Independent Directors and internal auditors and accountants

### A. Communication method between the Independent Directors of the Company and the internal auditors and accountants

- a. The independent Directors and the accountant meet regularly every year, and the accountant communicates with the independent Directors regarding the review of the Company's financial condition and the implementation of internal control, including the update of relevant laws and regulations and the explanation of contents that have a more significant impact on profit or loss.
- b. The head of internal audit meets regularly with the independent Directors to explain the status of the Company's internal audit execution and internal control operations.

# Corporate Governance Report

## B. Summary of communication state in 2021 and up to March 31, 2022

Date	Key points of communication between Independent Directors and accountants	Key points of communication between Independent Directors and Head of internal audit
2021.03.23	Accountants reported on the 2020 key audit matters, key accounting policies, key accounting estimation and key matters or transactions. The accountant communicated with the meeting participants on the issues raised.	December, 2020 ~ February 2021 Audit Highlights Report The audit supervisor communicated with the meeting participants on the issues raised.
May 11, 2021	None.	March 2021 Audit Highlights Report The audit supervisor communicated with the meeting participants on the issues raised.
August 3, 2021	None.	April ~ June 2021 Audit Highlights Report The audit supervisor communicated with the meeting participants on the issues raised.
December 21, 2021	The accountant reported on the key audit matters and other issues communicated in 2021. The accountant communicated with the meeting participants on the issues raised.	July ~ November 2021 Audit Highlights Report The audit supervisor communicated with the meeting participants on the issues raised.
March 15, 2022	Accountants reported on the 2021 key audit matters, key accounting policies, key accounting forecast and key matters or transactions, accounting adjustments. The accountant communicated with the meeting participants on the issues raised.	December, 2021 ~ February, 2022 Audit Highlights Report The audit supervisor communicated with the meeting participants on the issues raised.

## 7 The state of implementing Board of Director evaluation

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
To be executed once every year	2021.01.01 ~ 2021.12.31	Evaluation of Audit Committee's performance	Audit Committee Internal Self-Assessment	1. Level of participation in the operation of the Company 2. Understanding of the Audit Committee's duties 3. Improvement on the decision making quality of the Audit Committee 4. Composition and election of Audit Committee members 5. Internal Control



# Corporate Governance Report

(III) The state of the Company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
1. Has the Company established and disclosed the Code of Corporate Governance Practices in accordance with the "Code of Corporate Governance Practices for Listed Companies"?	✓		The Company has established a Code of Corporate Governance Practices, which is disclosed on the Market Observation Post System and the Company's website.	The Company has established and disclosed the Company's Code of Corporate Governance Practices in accordance with the "Code of Corporate Governance Practices for Listed Companies" and has also established a comprehensive internal control system, therefore, the Company has operated and enforced the relevant regulations in accordance with the spirit of the "Code of Corporate Governance Practices for Listed Companies"
2. Shareholding structure and shareholders' equity of the Company				
(1) Does the Company have internal procedures to handle shareholders' suggestions, questions, disputes and litigation matters, and implement them in accordance with the procedures?	✓		(1) For shareholders' suggestions, questions, disputes and litigation matters, in addition to having a spokesperson to explain to the public, shareholders can go to the Company's website at <a href="https://www.china-motor.com.tw">https://www.china-motor.com.tw</a> to respond to their opinions, and the responsible unit will respond appropriately depending on the issue. In addition, there is a dedicated unit under the Finance Division that can handle and respond to the situation at any time.	(1) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(2) Does the Company have a list of the major shareholders and ultimate controllers of the major shareholders who actually control the Company?	✓		(2) The Company keeps track of the list of major shareholders and ultimate controllers of major shareholders who effectively control the Company, and reports its shareholdings and the creation and dissolution of shares in accordance with the provisions of the Regulations Governing the Reporting of Information by Public Companies.	(2) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
(3) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	✓		(3) The Company implements risk control and firewall mechanisms with its affiliates in accordance with the "Regulations Governing Related Party Transactions."	(3) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(4) Does the Company have internal regulations that prohibit insiders from trading marketable securities using information that is not publicly available?	✓		(4) The Company has established the "Procedures for Prevention of Insider Trading" to prohibit insiders from trading marketable securities using undisclosed information in the market.	(4) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
3. Composition and Responsibilities of the Board of Directors				
(1) Has the board of directors established the diversity policy and the concrete management target, and implement accordingly?	✓		(1) Based on the Company's "Corporate Governance Best Practice Principles," the "Policy of Board Member Diversification" was established in December 2016 for the composition of the Board of Directors, published on the official website and enforced. To meet the diversification requirements for the Directors, please refer to the "Policy of Board Member Diversification" Section for the related measuring indicators and implementation.	(1) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(2) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		✓	(2) The Company has established the Audit Committee and Remuneration Committee, as required by laws.	(2) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors,	✓		(3) The Company has approved the "Guidelines for Evaluating Performance of the Board of Directors" in December 2015. The internal evaluation to the performance of the Board of Directors is at least conduct once per year. The evaluation is conducted through questionnaire, including "Operation of the Board of Directors" and "Participation of	(3) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
and use the results as reference for Directors' remuneration and renewal?			<p>Directors," in the way that Directors evaluate operations of the Board of Directors and themselves for the participation. The outcomes of the aforementioned questionnaire will be the reference for selecting or nominating Directors. Every year once all the questionnaires are recovered, the Company analyzes the questionnaires as mentioned previously, and presents the outcomes and the improvement suggestions to the Board of Directors.</p> <p>The evaluations items for the performance of the Board of Directors including: the participations to the Company's operation; enhancement of the quality of the Board of Directors' decision-making; composition and structure of the Board of Directors; selection and continuing educations of Directors; and internal controls. Items that are covered in the measurements of the evaluations against the performance of the Directors shall at least include the followings: understanding of the Company and awareness to the functions of Directors; participations to the Company's operation; expertise and continuing educations of Directors; and internal controls. The Company has completed the evaluations to the performances of the Board of Directors and Directors in January 2022. The outcomes of the 2021 evaluation showed an outstanding overall operations of the Board of Director. Among these, the selection and continuing educations of Directors and internal controls were the best.</p>	
(4) Does the Company regularly evaluate its attesting accountants' independence?	✓		<p>(4) Explanation on the assessment to the attesting accountants' independence:</p> <ol style="list-style-type: none"> <li>1. The Company assesses the independence of the attesting accountants on the regular basis (once a year), pursuant to the "Corporate Governance Best Practice Principles."</li> <li>2. By referring the "Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China," No. 10, "Integrity, Objectivity and</li> </ol>	(4) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>Independence,” the assessment form is made, and the Declaration of Independence is obtained from the accounting firm.</p> <p>3. There are 15 evaluation criteria, including the interest relationship of the accountants and the Company, whether or not the accountants have double identities, whether or not the accountants defend the Company, their familiarity with the Company’s personnel, are they threatened by the Company, and their tenure of practices.</p> <p>4. With the assessment by the Audit Committee and the Board of Directors in March 2022, the attesting accountants engaged by the Company conform to the independence.</p>	
4. Does the TWSE/TPEX Listed Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by Directors, assisting Directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?	✓		<p>For the corporate governance, the Company has set the Head of Corporate Governance, with the resolution of the Board of Directors. The Head of Corporate Governance is appointed to an executive (who is a managerial officer, with three years or more experience of management in legal, finance, or agenda area for a listed company). The dedicated units are pointed to General Manager Office and Finance Department, to take charge of the following corporate governance related affairs:</p> <p>1. Registration or changes to registration of the Company, including changes of Directors /supervisors and business in operations.</p> <p>2. Shareholders’ meeting-related affairs, including the proposals to shareholders’ meeting; meeting notice of shareholders’ meeting; convention of meetings, preparation of meeting minutes and uploading.</p> <p>3. Board of Directors related affairs, including the internal approvals for the proposals to the Board of Directors, notice of Board meeting; convention of meetings, preparation of meeting minutes and required announcement and submitting the documents such as meeting minutes.</p> <p>4. Regular provision of required information for Directors to fulfill their duties, including quarterly financial reports, overview of the Company’s</p>	Comply with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>operations, resolutions of the Audit Committee; and resolutions of the Remuneration Committee.</p> <p>5. Implementation of corporate governance, including conducting continuing education of corporate governance to Directors and related executives of the Company, establishing the goals of corporate governance promotion, and periodical tracking.</p> <p>6. Actively improving the ranking of corporate governance for the Company, the objective is to be within the top 5% of all listed companies.</p> <p>The implementation in 2021 is describe as the following. For the continuing education of the head of corporate governance, please refer to the official website:</p> <ol style="list-style-type: none"> <li>1. Planning and arrangement of Directors' ongoing education in 2021.</li> <li>2. Purchase of Director liability insurance in 2021.</li> <li>3. To implement the corporate governance, the performance evaluation to the Board of Directors and Directors was conducted in January 2021 and reported to the Board of Directors in March.</li> <li>4. The periodical investor conferences were conducted to present the operating performance in 2021.</li> <li>5. The AGM was convened in July 2021 the registration for the date of AGM, the meeting notices, agenda manuals and meeting minutes were prepared within the period required by laws, pursuant to laws.</li> <li>6. Directors are notified and given relevant information at least 7 days in advance prior to a board meeting. Minutes are prepared and disseminated to individual Directors within 20 days after each meeting, and are being kept as important files.</li> <li>7. Regularly reviewing the objectives and implementation of corporate governance, through the CSR Committee and presenting to the Board of Directors every six months.</li> <li>8. The corporate governance has been ranked among the top 5% of all listed companies for seven consecutive years.</li> <li>9. The total number of hours of training for</li> </ol>	

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			the Head of Corporate Governance for the year 2021 was 12 hours.	
5. Has the Company established a means of communicating with its Stakeholders: none (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has set the "Stakeholders" Section at the official website, with detailed contact information, for stakeholders (customers, general public, and suppliers) to reflect their opinions and replying to them properly.	Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
6. Has the Company appointed a professional shareholders' affairs agency for its Shareholders' Meetings?		✓	The Company handles the shareholders' affairs internally.	To grasp the lists of major shareholders controlling the Company de facto and the ultimate controllers of these shareholders timely, the Company handles the shareholders affairs internally.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the Company announce and report the annual financial statements within two	✓  ✓  ✓	   ✓	(1) The Company's corporate website discloses information regarding its financials, business and corporate governance status.  (2) The Company has established an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and uploads the information related to the investor conference to the corporate website.  (3) The Company reports financial reports and the monthly operating status pursuant to the "List of Matters Required to Be Handled by Issuers of	(1) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" (2) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"  (3) The Company abides with the "List of Matters

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
months after the end of the fiscal year and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			Listed Securities.”	Required to Be Handled by Issuers of Listed Securities.”
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors)?	✓		Please refer to the note.	Comply with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved: For the outcomes of the seventh (2020) corporate governance evaluation released in April 2021, the Company has been ranked among the top 5% of all listed companies for consecutive seven years. The indicators that the Company has missed, namely 2.21: the corporate governance officer is not concurrently served by an employee serving other position in the company, the Company has included such in the future improvement plant and improved in 2022.				
<p>Note: Key information helpful to understand the operation of corporate governance</p> <p>(1) Employee interests: The Company protects employees’ interests pursuant to the Labor Standard Act, with the employee manual established to specify the interests they are entitled to. The affairs related to employees’ interests are published on the intranet and Company bulletin boards from time to time.</p> <p>(2) Care to employees: the measures to care for employees include canteen, dorms, fitness center, swimming pool, library, health care center. Also, carnivals and subsidies to employee trips are provided from time to time, with regular physical checks.</p> <p>(3) Investor relations: The Company regularly published the information concerned by investors, such as</p>				

# Corporate Governance Report

Items of Evaluation	The state of implementation			Any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>future development and financial positions, on the official website. At least two investor conferences are called every year to explain the current operating status and outlooks. Dedicated personnel are set to reply the questions from investors and explain the Company's future development through conference calls from time to time.</p> <p>(4) Supplier relations: The Company has Procurement Department in place. The Department takes charge of supplies from suppliers, as well as the improvement of the qualities of parts supplied by the suppliers from time to time. The supplier convention is convened annually to explain the annual plans of the Company and the outlooks.</p> <p>(5) Rights of stakeholders: The Company manages the rights and obligations to stakeholders pursuant to laws and regulations, and a dedicate unit is appoint to deal with stakeholders.</p> <p>(6) Continuing Education Taken by the Directors: The Company regularly provided the information regarding continuing educations to Directors (independent Directors included), and encourage them to take such educations. Also, for any enforcement of new laws, regulations, or accounting system, external instructors are invited to the Company, to provide sessions to Directors (independent Directors included). All these are disclosed on the MOPS.</p> <p>(7) The implementation of risk management policies and measure standards of risks: The Company has Audit Office in place, to conduct routine audits of possible risks and present their implementation in the regular internal operating meetings.</p> <p>(8) Implementation of client policies (respecting consumers' needs): The Company has 0800 hotlines and webpage to respond to consumers' needs and feedbacks. Distributors are also required to respond timely to the clients.</p> <p>(9) Insurance bought for Directors and supervisors by the Company: to enhance the corporate governance, the Company purchases liability insurances for Directors (independent Directors included) every year, and discloses such on the MOPS.</p>	



# Corporate Governance Report

## (IV) The Remuneration Committee's composition and operating status

### 1. the Remuneration Committee member's information

Identity	Name	Condition	Professional qualification and experience	Independence	The number of companies' Remuneration Committee membership(s) that is (are) concurrently held
Independent Director (Convener)	Chi-Ching Chen		1. Five or more years experience in operations management 2. For the experience, please refer to Page17-19, the director's information (independent director)	Consistent to the independence requirement	2
Independent Director	Wei-Ching Lue		1. Five or more years experience in finance and commerce 2. For the experience, please refer to Page17-19, the director's information (independent director)	Consistent to the independence requirement	1
Independent Director	Yun-Hua Yang		1. Five or more years experience in legal affairs 2. For the experience, please refer to Page17-19, the director's information (independent director)	Consistent to the independence requirement	1

### 2. The information of operation of the Remuneration Committee.

(1) 3 Remuneration Committee Members are appointed

(2) tenor: From 1 July 2019 to 30 June 2022. The most recent annual Remuneration Committee

and the attendances of the Committee Members are as follows:

Title	N a m e	Attendance (B)	Number of Proxy Attendance	Ratio of Actual Attendance (B/A)	Remark
Convener	Chi-Ching Chen	3	0	100%	The duties of the Remuneration Committee are stated in description (3)
Committee Member	Wei-Ching Lue	3	0	100%	
Committee Member	Yun-Hua Yang	3	0	100%	

Other information to be documented:

- 1、If the Board of Directors declines to adopt or modify the recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution of the Board of Directors, and the Company's response to the Remuneration Committee's opinion (if the Remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and the causes for such differences shall be specified): None.
- 2、If any member objected or expressed reservations to the resolutions of the Remuneration Committee and such opinions are recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the responses to members' opinions should be specified: None.

# Corporate Governance Report

(3) The duties of the Remuneration Committee

The Compensation Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the board of directors:

A. Prescribe and periodically review the performance assessment and remuneration policy, system, standards, and structure of the Directors and the managers.

B. Periodically evaluate and prescribe the remuneration of the Directors and the managers.

(4) The most recent annual Remuneration Committee meeting date, resolution content, and the Company's handling of the Remuneration Committee's opinions are as follows:

Compensation Committee	Proposal description	Outcome of resolution	Company's response to Compensation Committee's opinions
The 4th term The 5th meeting 23 March 2021.	Allocation of the employees' and the Directors' remuneration for the fiscal year 2020	Passed unanimously by committee members.	Proposed by the board of directors and passed unanimously by all attending members.
The 4th term 6th meeting December 21, 2021	1. Adjustment of the salary for managerial officers for 2021. 2. The calendar plan of the Remuneration Committee meetings in the fiscal year 2022.	Passed unanimously by committee members.	Proposed by the board of directors and passed unanimously by all attending members.
The 4th term 7th meeting March 15, 2022	The Company's 2021 remuneration to the Directors and the employees	Passed unanimously by committee members.	Proposed by the board of directors and passed unanimously by all attending members.

(5) Others: none

3. The implementation status of the assessment of the Remuneration Committee.

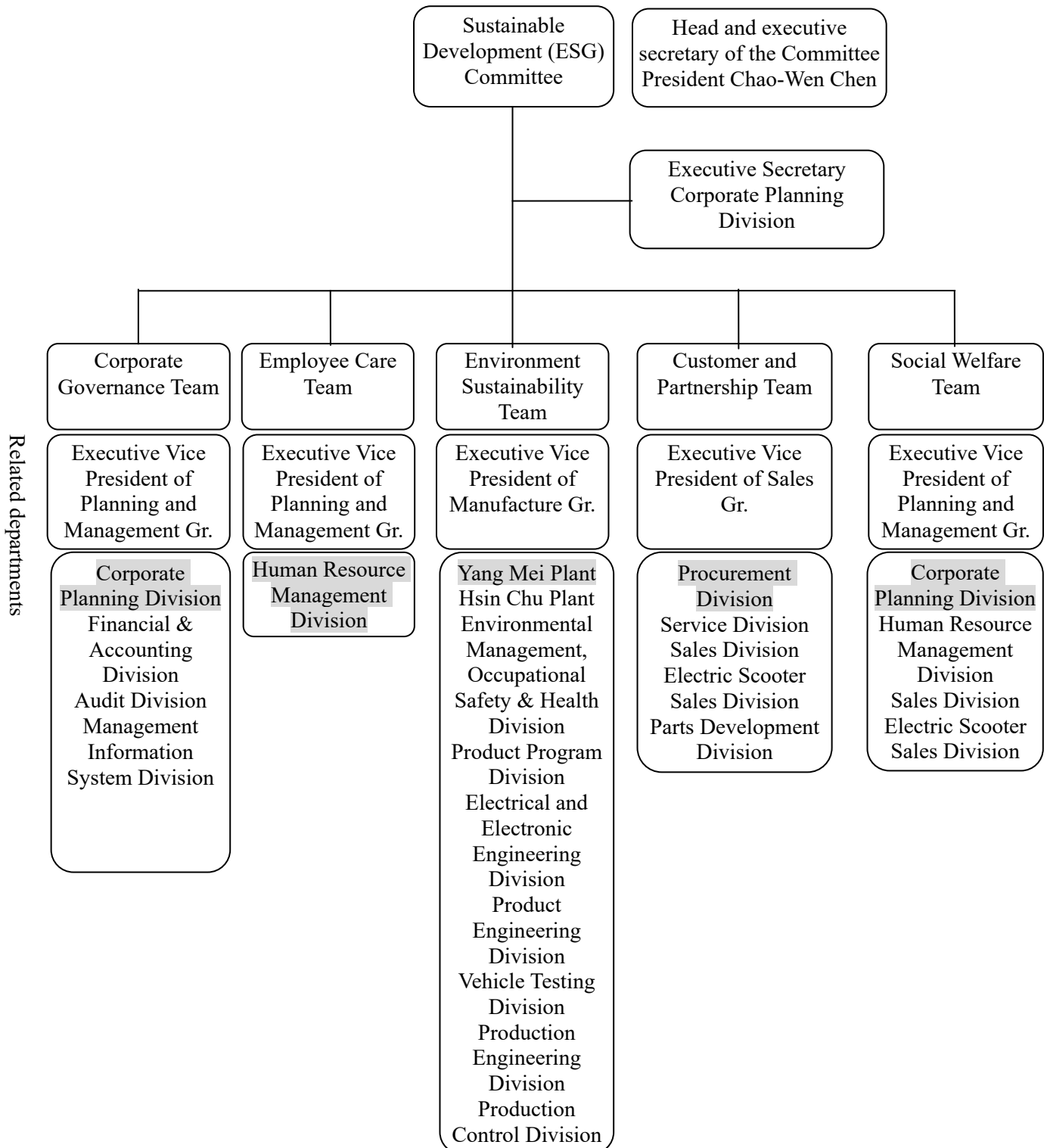
Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
To be executed once every year	2021.01.01 ~ 2021.12.31	Performance assessment of the Remuneration Committee.	Self-assessment of the Remuneration Committee.	1. Level of participation in the operation of the Company 2. Cognition of the duties of the Remuneration Committee. 3. Improve the decision quality of the Remuneration Committee. 4. The composition and election of the Remuneration Committee. 5. Internal Control

# Corporate Governance Report

- (V) The state of the Company's implementation of sustainable development, any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

CMC has long been devoted to promoting corporate governance, developing environmental sustainability and supporting social welfare, etc. To improve the efficiency of its corporate social responsibility efforts, the Company approved the assembly of the "Corporate Social Responsibility Management Committee" ("CSR Management Committee") in 2014, and renamed to "Sustainable Development Committee ("ESG Committee") in 2022 with the General Manager serving as chief committee member and the General Manager's Office serving as the Executive Secretary. The Committee leads the teams of "Corporate Governance," "Employee Care," "Environmental Sustainability," "Customer and Partner Relationship" and "Social Welfare." Each team is led by a Deputy General Manager or higher position, and the General Manager's Office, Human Resource Department, Yang Mei Factory and Procurement Department serve as the secretary respectively. Other departments of these teams, including Financial and Accounting Department, Management Information System Department, Audit Department, Hsin Chu Factory, Product Project Department, Electrical and Electronic Engineering Department, Product Engineering Department, Vehicle Testing Department, Production Technology Department, Production Management Department, Service Department, Sales Department, Electric Scooter Operation and Sales Department and Product Development Department, are responsible for promoting corporate social responsibility, editing the Company's Corporate Social Responsibility Report, and reporting implementation and future key tasks of promotion to the Board of Directors every six months.

# Corporate Governance Report



Note:   Representing the responsible department

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
1. Has the Company established the governance framework to promote sustainable development, appointed the dedicated (concurrent) sustainable development unit, and the board of directors authorizes the senior management to handle the affairs, with the supervision of the board of directors?	✓		<p>1. Include the sustainability into the operating philosophy, and develop the sustainability strategy blueprint</p> <p>CMC tightly linked with the “up-and downstream vendors,” “customers,” “employees,” and “society,” and shape the solid brand image together for 51 years. In the course of operation, CMC deeply realizes that other than the corporate governance and operational performance in the course of business operation, it is also necessary to cherish the resources provided by the environment and society, and stay committed to the stakeholders. Harmony, innovation, topness, and sustainability are interlinked philosophy. Continuous innovation in harmony, pursuit of topness and sustainable operation are the utmost philosophy of a company’s existence. In 2019, led by Chairperson Li-Lien Chen Yen, CMC embraced the new landscape, by upgrading its business philosophy from “HIT” to “HITS” (Harmony, Innovation, Top, and Sustainability), and gradually implemented the Company’s sustainability strategy, while innovating in manufacturing, corporate governance, and social welfare.</p> <p>In order to demonstrate its determination to promote sustainable goals, CMC once again inventoried the industrial trends, climate change risks and opportunities in 2021, and as the echo to the 17 United Nations Sustainable Development Goals (SDGs), CMC established the “sustainable development strategy,” and formulated a “stable governance,” “top innovation,” “harmony and co-prosperity,” “environmental sustainability” and “social care” as the five major pillars for implementation and management. The Company has gradually implemented the Company’s sustainable strategy, innovating in the regards of corporate governance, manufacturing, social welfare, while actively responding to the needs of stakeholders, seeking to drive the development of the automotive industry chain and enhancement of the Company’s sustainable value through the connection of the ecosystem, and become a the most reliable diversified mobile partner.</p> <p>2. Corporate social responsibility management organization</p> <p>The Company understands that, when moving forward to the goal of sustainable development of any corporate, such goal will not become a concrete action without effective management mechanism. To</p>	Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>incorporate the ESG philosophy with the corporate operation and company culture, the Company approved the assembly of the “Corporate Social Responsibility Management Committee” (“CSR Management Committee”) in 2014, leading the five teams of “Corporate Governance, Employee Care, Environmental Sustainability, Customer and Partner Relationship and Social Welfare,” for promoting the Company’s sustainability policies, and such organization operates as below:</p> <p>(1) Two meetings are held annually, with each task force explaining the implementation of the promotion, and establishes the three-year promotion goals in the rolling manner.</p> <p>(2) Reports to the board of directors every year (semi-annually), explaining the annual ESG implementation outcomes and key tasks for the future promotion.</p> <p>(3) Completes the preparation and upload of the ESG report for the previous year (the official website and MOPS) by the end of each June.</p> <p>(4) The implementation of sustainable development is disclosed in the annual report every year.</p> <p>3. The board of directors’ supervision to the sustainable development</p> <p>The ESG Committee reports the annual implementation results to the Board of Directors semi-annually. The discussion topics include ESG award-winning performance, outcomes of key task implementation, review and improvement, and follow-up promotion directions. Based on such, the future sustainable development strategy will be formed, and sustainable development tasks will be promoted to various units at different levels; the accountability of each level operates as follows:</p> <p>(1) Supervision by the Board of Directors</p> <p>In order to improve the internalization and communication of corporate social responsibility, the proposal and implementation of ESG policies, systems or related management guidelines, and specific promotion plans must be regularly reported to the board of directors.</p> <p>2) Management Level</p> <p>Report the key annual ESG results and activities to the operation meeting to share with the managerial attendees in the meeting as a top-down promotion, and the managers are requested to have their subordinators to engage in actively.</p> <p>(3) The ESG Committee holds regular meetings</p>	

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>The ESG Committee holds meeting every six months, and the secretaries of each task force will prepare and report the implementation results of the period, while communicating important matters, and review the three-year goals in the rolling manner. In 2020, the main axis of promotion is to be aligned with international standards - to respond to the SDGs, the United Nations Sustainable Development Goals, and to actively implement the UN sustainability issues.</p> <p>(4) Annual ESG guidelines at department level The annual guidelines of each department will undertake the ESG task promotion goals, and review the implementation of each department on a quarterly basis, including reviewing the stage implementation results and the estimate the achievement rate, and report such to the president and senior management, to actively promote and achieve annual goals.</p> <p>(5) Establish the sustainable corporate culture</p> <p>① Promote volunteer reward program, and provide all employees with three-days volunteer leave annually, car for volunteer activities, so that employees can work on the charity events with peace of mind.</p> <p>② Caring events for the aboriginal people are held regularly every year, and all employees of the plants are called on to join as volunteers. The large-scale recruitment activities are held in public occasions such as employee canteens and family days.</p> <p>③ The outcomes of key annual ESG promotion records of volunteer activities, and experience sharing are announced on the corporate intranet, to encourage management and employees to participate enthusiastically.</p> <p>④ For new employees, the chair of the ESG Committee is responsible for promote and strengthen the concepts, so that the concept of ESG is deeply rooted in the hearts of new employees.</p>	
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk	✓		<p>1. This disclosure covers the Company's sustainable development performance at its major presences from January 2021 to December 2021. The risk assessment boundary is mainly based on the Company's production bases in Taiwan, including the Yangmei Plant and Hsinchu Plant.</p> <p>2. Risk management policies for each sustainable</p>	Complied with the requirements of "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
management policies or strategies?			<p>development dimension</p> <p>The Company is mainly engaged in the manufacture and sales of finished cars and parts and does not engage in high-leverage nor high-risk investments. It also has functional committees (the Audit Committee and the Remuneration Committee) that address the guidelines which Directors and managers should abide by to examine and manage related risks and response strategies. In addition, to enhance the corporate governance and improve the risk management operation, the Company has established the Risk Management Committee, focusing on the standards that board members and senior management should observe, to review, control related risks, and update response strategies from time to time. Furthermore, each functional unit of the Company identifies detailed risks based on respective expertise and establishes related management policies to effectively reduce the Company's operation risks which includes:</p> <p>(1) Operation risk management</p> <p>① Implement ethical management policies, ② insure the Directors and management, ③ insure business interruption, ④ proactively collect changes in laws, policies and the market, and formulate countermeasures, and ⑤ implement corporate governance education and training to prevent the impact stemmed from amendments of laws.</p> <p>(2) Legal affairs and patent risk management</p> <p>① Employ professional legal personnel to review various contracts and provide internal legal advice, to handle legal disputes and litigation, and to assist in handling patents, trademarks and IP rights and other related affairs, ② timely monitor and manage changes in laws and regulations through the system to strengthen legal compliance.</p> <p>(3) Financial risk management</p> <p>① Integrate the financial control mechanism and tax planning, ② regularly hedge the foreign exchange rate risks, ③ prudently assess the market capital situation and bank interest rates, and ④ strategically evaluate the benefits of the reinvestment companies.</p> <p>(4) Environmental and climate risks management</p> <p>① Obtain ISO 14001 environmental management system certification, ② set various</p>	



# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>standard operating procedures of emergency response to withstand force majeure changes,<sup>③</sup> establish catastrophe prevention and warning mechanisms, and<sup>④</sup>promote green procurement and supply chain promotion.</p> <p>(5) Occupational safety and health risk management  <sup>①</sup> Set up dedicated unit to plan and supervise the safety and health affairs, continuously improve the risks of personnel, equipment, and Environment. and <sup>②</sup> acquired certifications of OHSAS 18001 and CNS 15506 occupational safety and health risk management system.</p> <p>(6) Information risk management  <sup>①</sup> Establish confidential information protection management guidelines and implement confidential information protection, <sup>②</sup> establish information security manuals, <sup>③</sup> install endpoint protection system for vigorous monitoring, and <sup>④</sup> regularly train and disseminate the employees.</p>	
3. Environmental Issues				
(1) Has the Company established a proper environmental management system according to its industrial characteristics?	✓		(1) The Company has established various environmental systems suitable for the Company's production and operation that comply with environmental protection laws and other requirements, with efficient use of resources, pollution prevention and continuous improvement; the ISO14001 certification is obtained, and conducting the GHG inventory, tracking emission-reduction effects annually based on ISO14064-1 regulations, and disclose the results on the official website and in the Sustainability Report. ( <a href="https://www.china-motor.com.tw/layout2.php?name=CSR%20Report">https://www.china-motor.com.tw/layout2.php?name=CSR%20Report</a> )	(1) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
(2) Is the Company committed to improving the energy utilization efficiency and using recycled materials with low impact on the environment?	✓		(2) The Company has built a CMC energy management system to improve the efficiency of the use of resources and holds regular meetings to review the system to promote energy (resource) management and has obtained ISO50001 certification.	(2) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
(3) Does the Company assess the potential	✓		(3) The era of "Climate Emergency" is coming. Facing the operational crisis that may be brought	(3) Complied with the

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
risks and opportunities of climate change to the Company now and in the future, and take measures to respond to climate-related issues?			<p>about by the extreme weather and global warming, the Company has gradually realized the challenges and changes will be faced by the traditional automobile industry in the future under the influence of climate change. We establish measurement indicators and target management based on the results of risk identification, to effectively grasp the progress and results of responsive actions, thereby reducing the financial impact of climate risks on operations. The Company has been concerned about climate change issues and is actively responding to the impact of extreme weather on its business operations. In addition to the introduction of various environmental management projects, the Company also identifies the opportunities hidden in the risks based on Task Force on Climate-Related Financial Disclosures (TCFD), hoping to explore new faces and business opportunities. The management framework is as below:</p> <ol style="list-style-type: none"> <li>(1) Strategy: Based on TCFD recommendations, and internal assessment methodology, for the impact of transition, physical and other risks on operations, the Company evaluated scenario where greenhouse gas emits highly, i.e. RCP 8.5, as set forth in the Fifth Evaluation AR5 of the Intergovernmental Panel on Climate Change (IPCC) of UN.</li> <li>(2) Indicators and targets: In recent years, the Company has actively established climate-related risk and opportunity assessment management indicators for items such as water consumption, energy consumption, greenhouse gas emissions, and waste output, while actively developing the new energy vehicle business.</li> <li>(3) Governance: The Risk Management Committee coordinates and collects the climate change risks identified by each department, and tracks the implementation of the management adaptation program through regular meetings of the ESG Committee.</li> <li>(4) Risk management: For the identified risks, the relevant departments are invited to discuss the impact of climate change risks on the Company's finances, and discuss as much as possible the countermeasures for each risk and link to the annual management guidelines.</li> </ol>	requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance												
	Yes	No	Description Summary													
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		<p>A detailed description of the Company's climate change risk and opportunity analysis has been disclosed in the Company's Sustainability Report. (<a href="https://www.china-motor.com.tw/layout2.php?name=CSR%20Report">https://www.china-motor.com.tw/layout2.php?name=CSR%20Report</a>) or refer to the notes below, for the risks and opportunities related to the climate changes, and countermeasures.</p> <p>(4) To ensure that every environmental issue is systematically managed, the Company has introduced ISO 14001 environmental management system certification, regularly reviews the achievement of targets and environmental improvement projects, conducts annual internal audits and commissions BSI to conduct external audits, and holds environmental management review meetings to report and review various environmental performance. Specific measures for environmental sustainability are as follows:</p> <p>1. Improve the efficiency of energy use and implement low carbon manufacturing. The GHG emission volume in the recent two years (Information of Scope 1 and 2 covers all plants in Taiwan)</p> <p style="text-align: right;">Unit: ton/CO2e</p> <table><tr><th>Annual</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th></tr><tr><td>2019</td><td>6,966</td><td>14,973</td><td>2,485.98</td></tr><tr><td>2020</td><td>7,099</td><td>12,961</td><td>97.42</td></tr></table> <p>(1) With the Introduction of the "Phase III Intelligent Energy Management System," the energy saving was 758,951 kWh/year, the average energy saving rate of Yangmei plant in the past three years reached 3.12%, and the carbon reduction benefit is about 381 tons/year. (2) Promote the upgrade of major equipment, introduce high efficiency air compressors, iced water hosts, etc. to reduce energy consumption. (3) Replace the factories' mercury lighting lamps with energy-saving LED lamps. (4) Control and examine the carbon and water footprints of products, and has obtained BSI certification in 2019. (5) Introduce the ISO14064-1 greenhouse gas inspection and management system, and since 2009, the Company has been voluntarily disclosing greenhouse gas emissions in the Environmental Protection Administration's national greenhouse gas</p>	Annual	Scope 1	Scope 2	Scope 3	2019	6,966	14,973	2,485.98	2020	7,099	12,961	97.42	(4) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
Annual	Scope 1	Scope 2	Scope 3													
2019	6,966	14,973	2,485.98													
2020	7,099	12,961	97.42													

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
			<p>registration platform every year.</p> <p>2. Water Pollution Prevention            (1) As a major water user, the paint factory dismantled obsolete water-consuming equipment and systems and implemented a centralized spraying system to concentrate productions and reduce water and electricity consumption. (2) Enhanced the recycling of process water and promoted the recycling of process boiler steam condensate and coating plant UF wash water through the reverse osmosis equipment, effectively reduced total water consumption by approximately 32%. (3) The total water intake of Yangmei plant was 204,095 tons in 2021 and 228,790 tons in 2020, saving 10.8% of water consumption.</p> <p>3. Waste Management            (1) All types of wastes are reported online and entrusted to legal vendors in accordance with the regulations, and the rate of proper disposal is 100%. (2) Installed the waste solvent recycling system in the coating plant. The volume of waste solvent removed in 2021 was 76.39 tons, which is 68.8% less than that of 244.61 tons in 2017. (3) The Company is working to achieve the goal of circular economy by introducing recyclable plastic materials into the entire car lineup and increasing the recycling rate of product parts. (4) Reduced the amount of non-recyclable waste and increase the recycling rate from 61.93% as of the base year 2017 to 67.69%. (5) Implemented refuse sorting and promoted the waste reduction project, reducing waste by 24.01% compared to that of the base year 2017.</p>	
<p>4. Social Issues</p> <p>(1) Does the Company formulate management policies and procedures according to applicable laws and regulations and the International Bill of Human Rights?</p>	~		<p>(1) The Company complies with relevant labor laws and regulations and respects internationally recognized basic labor human rights principles. The HR Department of the Company regularly reviews labor laws and regulations and readily examines whether or not the internal practices are complied with the laws and regulations and will cooperate in amending the relevant practices if modifications are required. The Company has no differential treatment in its employment policies.</p>	<p>(1) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
(2) Has the Company established and implemented reasonable employee welfare programs (including remuneration, vacation and other benefits, etc.) and appropriately reflected operational performance or results in employee compensation?	✓		<p>(2) The Company strives to create a happy workplace with a friendly environment and industry-leading strategies, hoping to not only retain talents with happiness, but also to take care of employees' family lives through innovative practices.</p> <ol style="list-style-type: none"> <li>1. Quality Work Environment               <ol style="list-style-type: none"> <li>(1) Staff cafeteria, coffee shops, convenience stores, etc. are available for employees to eat and drink healthily, and a complete sports and leisure center (with swimming pool, indoor basketball/badminton court, gymnasium, aerobatics classroom, etc.) is available for free use by employees and their families. A comprehensive library is established with more than 20,000 books, magazines, and DVDs to be borrowed by the employee, free-of-charge.</li> </ol> </li> <li>2. Happy and Diversified Vacation               In addition to the leave provided under the Labor Standards Act, the Company provides special leave, company travel leave, a nine-day summer vacation and winter vacation (to coincide with the Spring Festival), a new student leave for those whose children are attending elementary school, and volunteer leave.</li> <li>3. Thoughtful and Comprehensive Maternity Care Measures               <ol style="list-style-type: none"> <li>(1) The Company has an affiliated kindergarten and a family-friendly care center to solve the problem of childcare for employees' children, so that employees can have no worries.</li> <li>(2) Starting from 107, the Company provides a child care subsidy of \$3,000 per year to employees whose children are under the age of 3 and do not meet the admission criteria for kindergarten classes and are enrolled in a child care service contracted by the Company.</li> <li>(3) Dependents (spouse and children) are also eligible for daily subsidy of hospitalization under group insurance.</li> <li>(4) The Company provides free</li> </ol> </li> </ol>	(2) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
(3) Does the Company provide a safe and healthy working environment for employees and implement regular safety and health education for employees?	~		<p>newborn insurance service and offers a comprehensive nursing room space.</p> <p>(5) The Company offers scholarships and summer camps for employees' children, and holds parent-child seminars from time to time.</p> <p>4. Convenient and Preferential Living Assistance</p> <p>(1) Organize family day and hiking activities every year, inviting employees and their family members to participate. (2) Provide staff dormitory with free internet access, free bedding change and parcel collection services. (3) Diversified transportation services including transportation cars, business cars, night and holiday car rentals discounts, and low-interest car loans for employees. (4) Provide legal counseling, psychological counseling contact, mail delivery and banking services, and health center outpatient services.</p> <p>5. Decent Payroll System</p> <p>Including basic salary, bonus for at least 2 months of monthly payroll for 3 festivals (Spring Festival, Mid-Autumn Festival, and Dragon Boat Festival), and special year-end bonus according to the Company's operational performance and personal evaluation. In addition, the employs enjoy birthday gift coupons, senior staff recognition and awards, and employee travel grants.</p> <p>(3) The Company established the "Environmental Management, Occupational Safety &amp; Health Division," which not only conducts audits on work safety in each working environment, but also supervises the safety and health affairs of the whole company and holds regular workplace safety training. In addition, the Company conducts annual employee health examination with a frequency and items that are better than that required by law and performs health education and follow-up with outpatient physicians in response to the examination results. Related health promotion mechanisms include:</p>	(3) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
(4) Does the Company develop effective career development programs for employees?	✓		<p>(1) Case tracking management: To intervene according to the urgency of the improvement and conduct case tracking management by providing personal health education, individual medical counseling and referral treatment, as well as regular follow-up reviews of status every quarter. (2) The health center employs specialists who provide daily outpatient and medical counseling services. (3) Health promotion activities: weight loss classes, smoking cessation classes, physical fitness testing, blood donation activities and related preventive health activities, etc. (4) Hire visually impaired professional massage therapists to provide employees with stress relief massage services.</p> <p>(4) The Company regularly conducts education and training programs, including pre-employment classes and in-service training, and assigns appropriate employees to attend courses on job-related knowledge and skills.</p>	(4) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”
(5) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of its products and services, and has established relevant policies and complaint procedures to protect consumer or customer rights?	✓		<p>(5) Regarding the product advertisements, in addition to the principle of truthfulness and honesty in accordance with the actual vehicle as the main emphasis, all the appeals and methods of expression are in compliance with the laws and regulations stipulated by the Government authorities, and under the premise of complying with the laws and regulations, the relevant vehicle product data are labeled in the appropriate positions on the product to clearly inform consumers, and are also detailed in the car owner's manual, so that consumers can fully and conveniently understand the specifications, performance, operation and precautions of the product. In order to provide better service to every CMC car owner, CMC has developed a comprehensive customer service management mechanism, and regularly conducts service improvement, information update and staff training for the customer services hotline, and also connects with the 0800 free service hotline of dealerships across the country to provide consumers with more diversified and</p>	(5) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
(6) Does the Company formulate a supplier management policy requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health or labor rights, and their implementation status?	~		(6) The Company expects to lead the automotive industry chain manufacturers to be concerned about and exercise their social responsibilities and move towards sustainable development together, and thus has signed the "Fundamental Contracts" with suppliers and implemented ESG assessment and auditing of suppliers to ensure their compliance with the Company's environmental and occupational safety and health policies and laws and regulations. In addition, the Company will include the "Integrity and Compliance Pledge" in the "Fundamental Contracts" signed with suppliers and has the right to terminate and cancel the contract in case of dishonest behavior of the suppliers.	(6) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
5. Does the Company refer to international reporting rules or guidelines to compile reports that disclose non-financial information of the Company, such as sustainability report? Has the CSR report obtained a certificating third-party's verification of statement of assurance?	~		The Company's sustainability report is composed in accordance with the GRI Standards core options and the AA1000 Accountability Principles (2008), covering information on CSR management principles, material topics and key issues, and project performance, etc. In addition, the Sustainability Report has been reviewed by the heads of the relevant departments of the Company and the Chairman of the ESG Committee based on their professional knowledge and management experiences and SGS Taiwan Ltd. has been commissioned to conduct a materiality review and assurance on the content and data in accordance with the core options of the GRI Guidelines. The Independent Assurance Opinion Statement has been annexed to the report.	Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
6. If the Company established its own Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies," please describe the differences between its operations and the established guidelines: The Company has formulated its Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM- Listed Companies," has established a comprehensive internal audit system and the implemented the related regulations accordingly.				
7. Other important information for understanding the Company's implementation of sustainable development promotion: The Company's sustainability report has been disclosed on its official website and the Market Observation Post System.				



# Corporate Governance Report

Promotion Item	Implementation Status		Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	
			Description Summary

Note: Climate change related risks and opportunities and countermeasures.

Risk Category: Policies and Laws		
Risks	Opportunities	CMC's countermeasures
In 2022, the new fuel consumption regulation of Taiwan, CAFÉ, takes effect.	Gaining stakeholders' trust by responding to regulatory changes in advance.	Adopt the engines and gearboxes with better efficiency for better energy efficiency, to align with the sales of EV models, for the compliance purpose.
Renewable Energy Development Act	Develop renewable energy plans in advance to promote energy diversification.	Invested NT\$11 million in self-built solar power equipment.
Greenhouse Gas Reduction and Management Methodology.	1. Improve power efficiency with the opportunity to reduce operating costs. 2. Optimize the manufacturing process to lessen its environmental impact.	Introduce the ISO146064-1 greenhouse gas inspection and management system and ISO14001 environmental management systems.
Energy Management Methodology	Improve power efficiency with the opportunity to reduce operating costs	1. Obtained transition certification to ISO50001: 2018 2. Set energy saving and carbon reduction goals, and introduce various energy conservation projects in the manufacturing areas, such as intelligent energy management systems, equipment modifications, etc.
The 6th Phase of Air Emission Standards of Mobile Source.	Improve power efficiency with the opportunity to reduce operating costs	Monitor car emission levels through quality control system to comply with the phase 6 regulatory emission standards.
Risk Category: Technology Risk		
Risks	Opportunities	CMC's countermeasures
Unable to innovate the technology with the market demand and thus suffer from market obsolescence.	Actively develop electric scooters and their supporting measures to be in line with global market trends.	Invested NTD 250 million in electric vehicle research and development to cater to the booming green energy market
Risk Category: Market Risk – Changes in Consumer Behavior		
Risks	Opportunities	CMC's countermeasures
Consumers are aware of the impact of climate change and wish to purchase environment-friendly and	Provide environmentally friendly and energy-efficient products and services to meet the needs of stakeholders, gain their trust and thus increase the Company's revenue.	In response to the development of green energy, the Company promoted electric scooters and widely built charging stations to provide new low-carbon and energy-saving options.

# Corporate Governance Report

Promotion Item	Implementation Status			Any variance from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Description Summary	
energy-efficient products.				
Risk Category: Market Risk -Increases in Global Energy Prices				
Risks	Opportunities		CMC's countermeasures	
Fluctuating energy prices affect production and operating costs.	Improve power efficiency with the opportunity to reduce operating costs		1. Full implementation of intelligent energy management system (EMS) to reduce electricity consumption and cost. 2. Improve energy-consuming lighting in the factories to achieve energy-saving effect and obtain the green building label at the same time.	
Risk Category: Extreme Climate Catastrophe				
Risks	Opportunities		CMC's countermeasures	
Reduction or interruption of production capacity due to wind, flood and drought.	Enhance the ability of production lines to withstand natural disasters.		1. Establish emergency SOPs to deal with force majeure changes. 2. Develop disaster prevention mechanism and reporting mechanism. 3. Establish the disaster prevention and remedy center, for the affiliates to prepare the disaster statistics and share resource. 4. Procurement of production equipment in Hsinchu and Yangmei Plants for the purpose of cross-plant production.	
Dry season causes water shortage.	Improve process water efficiency, increase water recycling rate and reduce water costs.		1. Introduce water reduction construction. 2. Introduce rainwater recycling system.	
Extreme cold or hot climates cause a higher vehicle failure rate.	1. Gaining stakeholders' trust by providing vehicle products that can withstand extreme weather conditions. 2. Produce vehicles that can adapt to a variety of regional climates to increase export opportunities.		1. Construct high temperature and cryogenics laboratory 2. Enhancement of the testing standards for introduction of parts, to ensure the quality and durability of each part.	

# Corporate Governance Report

(VI) The state of the Company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.

Assessment Items	The state of implementation			Variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.
	Yes	No	Description Summary	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) All the business activities conducted by the Company are based on the principles of fairness, honesty, trustworthiness, and transparency. All employees must behave in good faith. The Company has established the "Ethical Corporate Management Best Practice Principle" and the "Procedures for Ethical Management and Guidelines for Conduct" which strictly require each employee to implement the ethical policies. The ethical corporate management policies of the Company are specified in the annual reports and CSR reports, as well as how the Board of Directors and management fulfill the commitment of ethic management.	(1) Complied with the Ethical Corporate Management Best Practice Principle.
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate	✓		(2) To have employees understand the ethical behaviors, the Company not only publishes the regulations and documents related to ethical management on the intranet for them to inquire any time, but also applies diversified approaches, such as posters, promotional activities, to announce the Company's management philosophy and compliance to systems of the Company. Moreover, to ensure the Company's business activities conform to the laws and regulations of ethical management, a whistle-blowing system is also provided in the official website and the internal platform. In the Company's "Procedures for Ethical Management and Guidelines for Conduct," the unethical behaviors and related preventive procedures are specified and set forth that the violations will be punished pursuant to the Working Rules and the related regulations.	(2) Complied with the Ethical Corporate Management Best Practice Principle.

# Corporate Governance Report

Assessment Items	The state of implementation			Variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.
	Yes	No	Description Summary	
<p>Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	~		<p>(3) The Company's "Procedures for Ethical Management and Guidelines for Conduct" has set forth the preventive procedures specifically for the business activities with higher risks of unethical behaviors, such as receiving improper benefits, political donations, donations and sponsorships, and the regulations are reviewed and amended regularly. Also, in the Company's "Working Rules," the sections of "Service Ethics" and "Reward/Disciplinary Actions, Promotion and Performance Appraisal" explain what are the acceptable employee's behaviors and how to handle others' improper behaviors and the appeals for disciplinary actions. The "Working Rules" are explained in the orientation and published on the intranet for employees to inquire any time.</p>	<p>(3) Complied with the Ethical Corporate Management Best Practice Principle.</p>
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such</p>	~		<p>(1) In the "Working Rules," the Company specifies relevant ethics of services, greatly emphasizes the ethics of all business counterparties, and incorporate the ethical clauses into the standard contract templates.</p> <p>(2) The Company's implementation status is as follows:</p> <p>1. The Company has established the ethical management and governance management committee. The executive secretary is the Human Resources Department, and the GR of Planning and Management Head is the Chief member. Based on the functions and scopes of each unit, the implementation of the Ethical Corporate Management Best Practice Principle is ensured. The implementation is reported to the Board of Directors at least once every year by the General Manager Office. The implementation status for 2021 has been reported in the Board Meeting on 21 December 2021.</p>	<p>(1) Complied with the Ethical Corporate Management Best Practice Principle.</p> <p>(2) Complied with the Ethical Corporate Management Best Practice Principle.</p>

# Corporate Governance Report

Assessment Items	The state of implementation			Variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.
	Yes	No	Description Summary	
operations?			<p>2. As the policy for preventing conflicts of interests, and provision of proper channel for statement, the Company has established "The China Motor Corporation's Ethical Corporate Management Best Practice Principle" in 2015.</p> <p>3. The affairs promoted for the ethical management in 2021 are listed as follows:</p> <p>(1) Established unethical behavior risk assessment policies.</p> <p>(2) Announce ethical management to the new Directors and new manager and require them to sign the statement for ethical management.</p> <p>(3) Announce the ethical management concept to employees aperiodically.</p>	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	~		<p>(3) In the "Working Rules," the Company specifies that if an employee takes any job with a similar nature as that of the Company and having conflicts of interests, without the Company's prior consent, and thus damage the Company's interests, he/she may be dismissed and sued if the condition is severe. Moreover, employees' annual work objectives are derived from the Company's or the department's annual work direction. The Company ensures the consistency of the objectives top-down and prevents conflicts of interests through thorough communications.</p> <p>The Company specified the preventive procedures for the unethical behaviors and interest recusals "Procedures for Ethical Management and Guidelines for Conduct," and established a dedicated unit and appealing channels for thorough communications so that implementations could be implemented effectively.</p>	(3) Complied with the Ethical Corporate Management Best Practice Principle.
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to	~		<p>(4) To ensure the accuracy and completeness of the financial related process and respective controls, the Company has designed the internal control system. The Audit Office also prepares the annual audit plans for various audits. The outcomes of audit and the subsequent correction programs are presented to the Board of Directors and management, as the consolidation of audit performance and prevention to the unethical behaviors.</p>	(4) Complied with the Ethical Corporate Management Best Practice Principle.

# Corporate Governance Report

Assessment Items	The state of implementation			Variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.
	Yes	No	Description Summary	
audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (5) Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		(5) In 2021 the Company conducted the trainings related to the ethical management issues (including the compliance of the ethical management regulations, orientations of ethical management, and case studies of ethical management) with total 2,105 of participating head counts and 1,555 hours	(5) Complied with the Ethical Corporate Management Best Practice Principle.
3. Operation of the integrity channel. (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the Company provide proper whistleblower protection?	✓   ✓  ✓		(1) to (3) The employees may directly report to the Human Resources Department, or may report any violations of ethics directly to the Supervisors via the "Employee Complaint Mailbox," and the respective investigations are conducted privately. Moreover, the whistleblowing may be anonymous, and the presiding department shall never disclose the information related to the whistleblower for full protection. The Company also publicized the whistleblowing hotline and handling practices. Dedicated personnel and relevant operating procedures will be appointed based on the identity of the stakeholder.	(1)~(3) were complied with the Ethical Corporate Management Best Practice Principle
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company has disclosed the content of the Company's ethical corporate management principles on its official website and the MOPS, and the Company's operating status is also disclosed on the official website regularly, which if necessary may include the status of its ethical corporate management.	Complied with the Ethical Corporate Management Best Practice Principle

# Corporate Governance Report

Assessment Items	The state of implementation			Variance from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance.
	Yes	No	Description Summary	
5.	If the Company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the policies and their implementation: In 2014, the Company established its own Code of Business Ethics with reference to the " Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies." At present, the Company also established a comprehensive internal control system, therefore the Company has been operating and implementing according to the spirit of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies."			
6.	Other important information to facilitate a better understanding of the Company’s ethical corporate management policies: The Company’s ethical corporate management principles have been amended in December 2015 (effective from July 2016); also, the "Ethical Management and Compliance Management Committee" has convened annual meetings regularly since 2015. The meeting was convened in November 2021 to explain the implementation of the concurrent year and discuss the future approaches.			

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.

Please refer the "Corporate Governance" of Market Observation Post System and the Company's website (<https://www.china-motor.com.tw>).

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance.

Please refer the "Corporate Governance" of Market Observation Post System and the Company's website (<https://www.china-motor.com.tw>).

# Corporate Governance Report

## (IX) The state of implementation of the company's internal control system

### 1. Statement of Internal Control System

#### China Motor Corporation Statement of Internal Control System

Date: March 15, 2022

Based on the findings of self-assessments, the Company states the following with regard to its internal control system for the year of 2021:

- I. The Company is fully aware that the Company's Board of Directors and General Manager are responsible for establishing, implementing, and maintaining an adequate internal control system. The Company has established such system. Such internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of the Company's operation (including profitability, performance, and safeguarding of assets), reliability of financial reports, timeliness, transparency, and compliance with applicable laws and regulations.
- II. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the aforementioned targets. Moreover, the effectiveness of an internal control system may be subject to changes in environment and circumstances. However, the Company's internal control system contains a self-monitoring mechanism, and once deficiencies are identified, the Company will take corrective action.
- III. The Corporation evaluates the design and operating effectiveness of its internal control system based on the criteria provided by the "Regulations Governing the Establishment of Internal Control System by Public Companies" (the "Regulations"). The judgmental criteria adopted by the Regulations are based on the management control process and divide the internal control system into five components: (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 the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid judgmental criteria.
- V. Based on the results of the preceding evaluation, the Company concluded that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries) as of 31 December 2021, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, the reports are reliable, and the internal control system is timely, transparent, and in compliance with relevant regulations and relevant laws and regulations, is effective, and it can reasonably ensure the achievement of the above objectives.
- VI. This Statement will form an integral part of the Company's Annual Report and Prospectus and will be made available to the public. If the contents of the above-mentioned disclosures are false, concealed, or otherwise unlawful, legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on 15 March 2022, where none of the ten attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

China Motor Corporation

Chairperson: Li-lien Chen Yen

President: Chao-Wen Chen



Signature/Seal



Signature/Seal



# Corporate Governance Report

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

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during 2021 and up to March 31, 2022, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders meeting or a Board of Directors meeting in 2021 up to March 31, 2022.

## 1. Important resolutions of the board of directors' meetings

Date of meeting	Important Resolutions	Implementation Status
March 23, 2021	<ol style="list-style-type: none"> <li>1. The Company's 2020 Financial Reports</li> <li>2. The Company's 2020 Earnings Distribution</li> <li>3. The Company's 2020 remuneration to the Directors and the employees</li> <li>4. The meeting date and location of the Company's 2021 Annual Meeting of Shareholders</li> <li>5. Proposal for removing the non-compete clause prohibition for the Directors in the 2021 Shareholder Meeting.</li> <li>6. Proposal of the execution of the Company's "Statement of Internal Control System" as of 2020.</li> <li>7. The change of the Company's CPAs and evaluation of the independence and suitability of the CPAs as of year 2021.</li> </ol>	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Of which, motion 1 and 2 were submitted for the ratification of the 2021 shareholders' meeting; Motion 5 was submitted for the resolution of the 2021 shareholders' meeting.
May 11, 2021	<ol style="list-style-type: none"> <li>1. Amendments to the Company's "Accounting System."</li> <li>2. Proposal for removing the non-compete restrictions for the Directors in the 2021 Shareholder Meeting.</li> <li>3. Removal of the non-compete restrictions for managerial officers</li> </ol>	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Among others, motion 2 will be proposed to 2021 Shareholders' Meeting for resolution.
June 24, 2021	<ol style="list-style-type: none"> <li>1. The meeting date and location of the Company's 2021 Annual Meeting of Shareholders</li> </ol>	The Company has implemented the resolutions and disclosed in the Market Observation Post System.

# Corporate Governance Report

Date of meeting	Important Resolutions	Implementation Status
August 3, 2021	1. Amendments to CMC's "Internal Control System for Stock Affairs Unit" and "Internal Audit Implementation for Stock Affairs Unit." 2. Proposal for changing the appointment of deputy assistant general managers level and higher levels.	We have implemented according to the resolved contents.
November 9, 2021	None.	-
December 21, 2021	1. The Company's 2022 annual corporate budget. 2. The Company proposed to renew the NTD 600 million borrowing to the subsidiary Hualing Motors. 3. Formulated the Company's 2022 audit plan. 4. Adjustment of the salary for managers for 2021. 5. Changes of department managers (or above) of the Company. 6. Proposal for removing the non-compete restrictions for the Directors in the 2022 Shareholder Meeting. 7. Removal of the non-compete restrictions for managerial officers.	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Among others, motion 6 will be proposed to 2022 Shareholder Meeting for resolution.
March 15, 2022	1. The Company's 2021 Financial Reports 2. The Company's 2021 Earnings Distribution 3. The Company's 2021 remuneration to the Directors and the employees 4. The meeting date and location of the Company's 2022 Annual Meeting of Shareholders 5. Re-election of the directors and independent directors of 21st term. 6. The Board of Directors proposed the last of director candidates of the 21st Term and the qualification review. 7. Proposal for removing the non-compete clause prohibition for the directors of the 21st intake in the 2022 shareholders' meeting. 8. Evaluation of the independence and suitability of the CPAs as of year 2022. 9. Proposal to submit the "Declaration on the Internal Control System" for 2021 10. Amendments to partial articles of the Company's "Articles of Incorporation." 11. Amendment to the partial articles of the "Regulations Governing the Acquisition and Disposal of Assets" and "Internal Audit Implementation Policies for the Regulations Governing the Acquisition and Disposal of Assets". 12. Partial amendments to the articles of the Company's "Corporate Social Responsibility Best Practice Principles."	The Company has disclosed in the Market Observation Post System and implemented the resolutions. Motion 1 and 2 will be proposed to 2022 Shareholder Meeting for recognition; motion 7, 10, and 11 will be proposed to 2022 Shareholder Meeting for resolution.

## 2. Major Resolutions and Implementation Status of 2021 Shareholder Meeting

Date of meeting	Important Resolutions	Implementation Status
July 15, 2021	1. Recognition of the final account book as of 2020.	We have announced and reported according to the regulations.
	2. Recognition the allocation of earnings as of 2020.	The cash dividend distribution is NT\$7 per share with the distribution base date on July 30, 2021; the dividends have been distributed on August 25, 2021.

# Corporate Governance Report

Date of meeting	Important Resolutions	Implementation Status
	3. Approved the partial amendments to the Company's "Directors Election Policies."	Implemented according to the amended procedures.
	4. Approved to remove the non-compete restrictions for the Directors	We have implemented according to the resolved contents.

(XII) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors during the year 2021 and until 31 March 2022: None.

(XIII) Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D during the year 2021 and until 31 March 2022: None.

## IV. Information on CPA professional fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Deloitte & Touche	Ya-Ling Wong	2021.01.01 ~ 2021.12.31	NT\$7,100 thousand	NT\$850 thousand	NT\$7,950 thousand	-
	Hsiu-Ming Hsu	2021.01.01 ~ 2021.12.31				

Note: the non-audit service fees include taxation certification, transfer pricing report, audit to the investment expenditure pursuant to the offshore funds regulations.

(I) Replace the accounting firm and the audit fee paid in the year of replacement is less than that in previous year, disclose the amount of audit fee before and after the replacement and its reasons: N.A.

(II) For the audit fee that is reduced more than 10 percent as comparing to the previous year, disclose the amount reduced, percentage and reason: N.A.

## V. Information for Replacement of CPA

### (I) Regarding the former CPA

Replacement Date	January 2021.		
Replacement reasons and explanations	Given Deloitte & Touche’s internal rotation requirement, the CPA Hsiu-Ming Hsu succeeded the duty of the original CPA Chih-Ming Shao.		
Explanation if it is the termination by the Company, or refusal by the CPAs	Parties	CPA	The Company
	Status		
	Termination of appointment	(N.A.)	(N.A.)
	No longer accepted (continued) appointment	(N.A.)	(N.A.)
Other issues (except for unqualified issues) in the audit reports within the last two years	Partial of long-term investments accounted for using equity method is recognized based on the audit report of other CPA and therefore the modified unqualified opinions are issued.		
Differences with the Company	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Audit scope or steps
		-	Others
	None.	✓	
	Explanation	-	
Other disclosure (items to be disclosed in accordance with clause 10.6.A.d to g of Regulations Governing Information to be Published in Annual Reports of Public Companies	None.		

### (II) Regarding the successor CPA

Name of CPA	Deloitte & Touche
Name of CPA	CPA Hsiu-Ming Hsu
Date of Appointment	January 2021.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	N.A.
Succeeding CPA's written opinion of disagreement toward the former CPA	None.

(III) The former CPA's written response to the matters referred to Item 1 and Item 2-3,

# Corporate Governance Report

Subparagraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies: N.A.

VI. Chairperson, President and Heads of Finance or Accounting who worked in the CPA's firm or its affiliates: None.

# Corporate Governance Report

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

### (I) Changes in share transfer and share pledge by Directors, Managers and shareholders with shareholdings of over 10%

Unit: share

Title	Name	2021		2022, as of March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director (note 1)	Tai-Yuen Textile Co., Ltd	-	-	-	-
Director	Yulon Motor Co., Ltd	-	-	-	-
Director (note 1)	Mitsubishi Motors Corporation	-	-	-	-
Director	Mitsubishi Corporation	-	-	Note 2	
Director	Le Wen Enterprise	-	-	-	-
Chairperson	Li-Lien Chen Yen	2,216,162 (Note 3)	-	-	-
Director	Toshinaga Kato	-	-	-	-
Director	Hsin-I Lin	-	-	-	-
Director	Chen-Hsiang Yao	-	-	-	-
Director	Daisuke Okamoto	-	-	Note 2	
Director/ President	Chao-Wen Chen	-	-	-	-
Director	Tai-Ming Chen	-	-	-	-
Director/ Executive Vice President	Hsin-Cheng Tseng	-	-	-	-
Independent Director	Chi-Ching Chen	-	-	-	-
Independent Director	Wei-Ching Lue	-	-	-	-
Independent Director	Yun-Hua Yang	-	-	-	-
Executive Vice President	Chen Shing Ju	-	-	-	-
Executive Vice President	Ching-Wu Chien	-	-	-	-
Executive Vice President	Yang, Hung-Ching	-	-	-	-
Special Assistant (Vice President)	Hsing-Ju Huang	-	-	-	-
Vice President	Ching-Yun Liao	-	-	-	-
Vice President	Huang, Kuo-wi	-	-	-	-
Vice President	Tung-Tai Hsiung	-	-	-	-
Accounting and Finance Supervisor	Chun-Ching Liao	-	-	-	-
Corporate governance officer	Ling-Jun Lin	-	-	-	-

# Corporate Governance Report

Note 1: shareholders with shareholdings of over 10%

Note 2: The corporate director, Mitsubishi Corporation, resigned the post of director on December 21, 2021.

Note 3: Acquired by way of inheritance.

- (II) Where the counterparty in any such transfer or pledge of equity interests is a related party, the counterparty's name, and its relationship with the Company as well as the Company's Directors, Supervisors, and shareholders with shareholdings of over 10%, and the number of shares transferred or pledged shall be disclosed: None.

# Corporate Governance Report

## VIII. Relationship among the Top Ten Shareholders

Name	Current Shareholding		Spouse and children of minor age's current shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks Note
	Number of shares	%	Number of shares	Shares holding %	Number of shares	Shares holding %	Name	Relationship	
Tai-Yuen Textile Co., Ltd	139,435,815	25.19	-	-	-	-	Yulon Motor Co., Ltd	Same Chairman	-
							Tai-Yuen Textile Co., Ltd	Same Chairman	-
							Yung Han Investment Co., Ltd.	Same Chairman	-
Representative: Hsin-I Lin	-	-	-	-	-	-	-	-	-
Representative: Chen-Hsiang Yao	-	-	-	-	-	-	-	-	-
Representative: Chao-Wen Chen	-	-	-	-	-	-	-	-	-
Mitsubishi Motors Corporation	77,507,309	14.00	-	-	-	-	-	-	-
Representative: Toshinaga Kato	-	-	-	-	-	-	-	-	-
Yulon Motor Co., Ltd	44,592,177	8.05	-	-	-	-	Tai-Yuen Textile Co., Ltd	Same Chairman	-
							Tai-Yuen Textile Co., Ltd	Same Chairman	-
							Yung Han Investment Co., Ltd.	Same Chairman	-
Representative: Li-Lien Chen Yen	2,216,162	0.40	4,432,322	0.80	-	-	-	-	-
Representative: Tai-Ming Chen	-	-	-	-	-	-	-	-	-
Tai-Yuen Textile Co., Ltd	37,438,652	6.76	-	-	-	-	Tai-Yuen Textile Co., Ltd	Same Chairman	-
							Yulon Motor Co., Ltd	Same Chairman	-
							Yung Han Investment Co., Ltd.	Same Chairman	-
Nan Shan Life Insurance Company, Ltd.	14,964,600	2.70	-	-	-	-	-	-	-
Taiwan Life Insurance Co., Ltd.	6,549,600	1.18	-	-	-	-	-	-	-
Taiwan Business Bank Co., Ltd.	5,200,000	0.94	-	-	-	-	-	-	-
Fan-Terh Investment Co., Ltd.	4,874,758	0.88	-	-	-	-	-	-	-



# Corporate Governance Report

Name	Current Shareholding		Spouse and children of minor age's current shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks Note
	Number of shares	%	Number of shares	Shares holding %	Number of shares	Shares holding %	Name	Relationship	
Yung Han Investment Co., Ltd.	3,997,638	0.72	-	-	-	-	Tai-Yuen Textile Co., Ltd	Same Chairman	-
							Yulon Motor Co., Ltd	Same Chairman	-
							Tai-Yuen Textile Co., Ltd	Same Chairman	-
JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund	3,556,844	0.64	-	-	-	-	-	-	-

# Corporate Governance Report

IX. The total number of shares and total equity stake held in any single enterprise by the company, its Directors, Managerial Officers, and any companies controlled either directly or indirectly by the company.

March 31, 2022

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Supervisors/ Managers		Total Ownership	
	Number of shares	%	Number of shares	%	Number of shares	%
Yulon Motor Co., Ltd.	166,714,441	16.80	220,662,848	22.07	387,377,289	38.87
Kian Shen Corporation	32,201,367	43.87	49,331	0.07	32,250,698	43.94
Fortune Motors Co	132,116,729	41.95	30,990,158	9.62	163,106,887	51.57
Sino Diamond Motor Corporation	151,067,030	100.00	-	-	151,067,030	100.00
Tokio Marine Newa Insurance Co., Ltd.	61,510,524	20.57	52,009,524	17.39	113,520,048	37.96
Alliance Investment & Management Co., Ltd	183,000,000	100.00	-	-	183,000,000	100.00
Mercedes-Benz Vans Hong Kong Limited	46,565,750	32.45	-	-	46,565,750	32.45
ROC Spicer Ltd.	147,990	29.60	102,302	20.46	250,292	50.06
China Motor Investment Co., Ltd.	40,000	100.00	-	-	40,000	100.00
COC Tooling & Stamping Co., Ltd.	33,564,678	49.76	33,891,444	50.23	67,456,122	99.99
Hwa Wei Holdings Co., Ltd.	40,000	40.00	60,000	60.00	100,000	100.00
Uni Auto Parts Manufacture Co., Ltd.	13,032,137	15.00	21,728,516	25.00	34,760,653	40.00
Shung Ye Motor Corporation	29,667,632	39.98	12,368	0.02	29,680,000	40.00
China Engine Corporation	87,999,000	52.10	64,455,000	38.16	152,454,000	90.26
Uni-calsonic Corp.	6,083,525	31.20	5,983,875	30.68	12,067,400	61.88
Yueki Industrial Co., Ltd.	2,936,222	15.08	12,783,109	65.67	15,719,331	80.75
Tai Ya Investment (HK) Co., Limited	2,288,459	29.60	1,584,917	20.50	3,873,376	50.10
Hua Chung Motor Co., Ltd.	8,790,000	100.00	-	-	8,790,000	100.00
Fujian Spicer Drivetrain System Co., Ltd.	7,308,000	29.00	5,166,000	20.50	12,474,000	49.50

Note: The affiliates are investment of the Company accounted for using equity method

# Information on Capital Raising Activities

## I. Capital and Shares

### (I) Source of Capital

Unit: thousand shares; NTD thousand

Year/Month	Issue Price (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Value	Number of shares	Value	Sources of Capital	Capital Increased by Assets Other than Cash	Others
September 2007	10	1,800,000	18,000,000	1,391,301	13,913,008	Stock dividends of Common Stock	-	2007/09/14 Jing Shou Shang No. 09601227310
January 2011	10	1,800,000	18,000,000	1,384,051	13,840,508	Decrease in treasury stock	-	2011/01/17 Jing Shou Shang No. 10001001380
August 2019	10	1,800,000	18,000,000	553,620	5,536,203	Capital reduction by cash	-	2019/08/19 Jing Shou Shang No. 10801113240

### (II) Type of Stock

April 25, 2022

Unit: share

Share Type	Authorized Capital		
	Outstanding shares (note)	Unissued shares	Total
Registered Share Certificates	553,620,342	1,246,379,658	1,800,000,000

Note: TWSE listed stock

### (III) Shareholding Structure

April 25, 2022

Shareholding Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Total	4	25	149	40,102	243	40,523
Shareholding (share)	4,060,882	25,638,337	258,225,960	129,678,209	136,016,954	553,620,342
Percentage	0.73	4.63	46.65	23.42	24.57	100.00

## Information on Capital Raising Activities

### (IV) Shareholding Distribution Status

April 25, 2022

Class of Shareholding (Unit: share)	Number of Shareholders	Shareholding (share)	Percentage
1 ~ 999	20,007	4,880,073	0.88
1,000 ~ 5,000	16,256	33,632,830	6.08
5,001 ~ 10,000	2,217	17,316,041	3.13
10,001 ~ 15,000	649	8,163,010	1.47
15,001 ~ 20,000	375	6,891,088	1.24
20,001 ~ 30,000	324	8,305,701	1.50
30,001 ~ 40,000	161	5,826,190	1.05
40,001 ~ 50,000	100	4,633,828	0.84
50,001 ~ 100,000	191	13,485,339	2.44
100,001 ~ 200,000	108	15,170,463	2.74
200,001 ~ 400,000	59	16,523,760	2.98
400,001 ~ 600,000	17	8,275,579	1.49
600,001 ~ 800,000	11	7,728,842	1.40
800,001 ~ 1,000,000	10	8,632,476	1.56
1,000,001 or above	38	394,155,122	71.20
Total	40,523	553,620,342	100.00

### (V) List of Major Shareholders

April 25, 2022

Shareholder	Shares	Shareholding (share)	Shareholding (%)
1. Tai Yuen Textile Co., Ltd.		139,435,815	25.19
2. Mitsubishi Motors Corporation		77,507,309	14.00
3. Yulon Motor Co., Ltd.		44,592,177	8.05
4. Diamond Hosiery & Thread Co., Ltd		37,438,652	6.76
5. Nan Shan Life Insurance Co., Ltd.		14,964,600	2.70
6. Taiwan Life Insurance Co., Ltd.		6,549,600	1.18
7. Taiwan Business Bank Co., Ltd.		5,200,000	0.94
8. Fan-Terh Investment Co., Ltd.		4,874,758	0.88
9. Yung Han Investment Co., Ltd.		3,997,638	0.72
10. JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund		3,556,844	0.64

# Information on Capital Raising Activities

## (VI) Market Price, Net Worth, Earnings, and Dividends per Share of the Recent Two Years

Item \ Year		2020	2021	2022, as of March 31, 2022
Market Price per Share (NTD)	Highest Market Price	51.20	77.50	64.70
	Lowest Market Price	24.40	46.00	60.00
	Average Market Price	39.06	64.94	59.78
Net Worth per Share (NTD)	Before Distribution	76.09	77.08	- (Note 3)
	After Distribution	69.09	77.08 (Note 1)	- (Note 3)
Earnings per Share (NTD)	Weighted Average Shares (thousand shares)	553,620	553,620	553,620
	Earnings per Share	6.01	7.67	- (Note 3)
Dividends per Share (NTD)	Cash Dividends (note)		-	7.00
	Stock Dividends	Share distribution from surplus	-	-
		Share distribution from capital reserve	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price / Earnings Ratio (Note 1)		6.50	8.47
	Price / Dividend Ratio (Note 2)		-	9.28
	Cash Dividend Yield Rate (Note 3)		-	10.78%

Note: 1. The 2022 Shareholder Meeting has not yet been convened, and the distribution of earnings is not yet confirmed. Thus, the EPS amount before and after distribution are the same.

2. The distribution of earnings of the previous fiscal year.

3. As at the publication date 31 March 2022, financial figures for the first quarter reviewed by the CPA are not yet available, and thus are not disclosed.

## (VII) Dividend Policy and Implementation Status

### 1. Dividend Policy

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

If earnings are available for distribution at the end of a fiscal year, 10% of net income – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net income can be distributed along with

## Information on Capital Raising Activities

prior accumulated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual Shareholder Meeting.

The Company is operated in a mature and stable industry. Dividends are distributed with reference to the Company's 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. 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.

### 2. Proposed Distribution of Dividend at the present Shareholder Meeting

The 2021 distribution of earnings has been formulated by the Board of Directors. A cash dividend of NTD 5.5 per share will be distributed.

The appropriation of the aforementioned earnings is intended to be made first from the retained earnings of 2021.

If the Company resolves to buy back the Company's shares or transfer treasury shares to employees that affect the number of shares outstanding as at the dividend distribution date, it is proposed to request the Shareholders Meeting to authorize the Board of Directors to adjust the dividend distribution ratio

### (VIII) The Impact of Stock Dividend Issuance on the Company's Business Performance and Earnings per Share:

None.

### (IX) Remuneration of employees and Directors

#### 1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

The Company's Articles of Incorporation stipulates the regulations regarding employees and Directors' compensation as follows:

## Information on Capital Raising Activities

The remuneration payable by the Company in the case of profit for the year is as follows.

- (1) No higher than 0.5% of net income as remuneration for Directors.
- (2) No less than 0.1% of net income as remuneration for employees. The Board of Directors may resolve to make distributions in stock or cash to employees of affiliated companies who meet certain criteria, which are authorized to be set by the Board of Directors.

The employee's compensation and remuneration to Directors should be approved by the Board of Directors and be presented on Shareholders Meeting.

However, if the Company still has accumulated losses, it shall retain the amount of the indemnity in advance and then allocate employees' and Directors' remuneration in accordance with the rate designated in the first item.

The Company distributed a fixed percentage (0.5% for the past three years except for the loss-making 2019) from the pre-tax net income prior to deducting remunerations to employees and Directors.

2. Accounting for the difference between the actual amount of employee and Director remuneration and the estimated amount. The Company makes the best estimate of the remuneration to employees and Directors according to the Company's Articles of Incorporation and recognizes such remuneration as expenses. In the event of a material change in the amount of payment resolved by the Board of Directors in the subsequent period, such change shall be adjusted to the current year (the year in which such expense was originally recognized). If there is a change in the actual amount paid in the following year, such change will be treated as a change in accounting estimate and recorded as profit or loss in the following year.
3. The approval status of remuneration distribution by the Board of Directors:
  - (1) If the amount of employee compensation and Director remuneration distributed in cash or stock differs from the amount estimated in the year in which the expense is recognized, the amount, the reason and the treatment of such difference shall be disclosed.

## Information on Capital Raising Activities

The 2021 remuneration of employees, Directors and Supervisors had been approved by the 17th meeting of the 20th term Board of Directors on 15 March 2022. The proposed cash remuneration was NT\$46,959 thousand and NT\$24,098 thousand to employees and Directors respectively, which were identical to the estimated amount of the year of expenses recognition. If there is a change in the actual amount to be paid in 2022, it will be treated as a change in accounting estimate and recorded as profit or loss in 2022.

The Company also provides incentive bonuses such as bonus for the three festivals, additional annual bonus, and bonus for the growth of the management team based on the operating performance and individual performance of employees to encourage employees to create better performance for the Company and its shareholders.

- (2) The amount of employee compensation distributed in stock and its proportion to the aggregate of the standalone net income after tax and total employee compensation in the standalone financial statements of the period

The Company has not distributed remuneration to employees in the form of stocks in 2021 and therefore the circumstance is not applicable.

- C. The actual distribution status of remuneration to employees and Directors and Supervisors (including number of shares distributed, amount and share price), the amount, reason and handling of difference from the recognized employee profit sharing and remunerations to Directors and supervisors.

The 2020 remuneration of employees, Directors and Supervisors had been approved by the 11th meeting of the 20th term Board of Directors on 23 March 2021. The proposed cash remuneration was NT\$31,923 thousand and NT\$17,130 thousand to employees and Directors respectively, which were identical to amount actually distributed after the shareholders' meeting.

(X) Buy-back of Treasury Stock: None.

II. Issuance of Corporate Bonds: None



## Information on Capital Raising Activities

III. Issuance of Preferred Stock: None

IV. Issuance of Global Depositary Receipts: None

V. Issuance of Employee Stock Options and New Restricted Employee Shares:  
None.

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

VII. Financing Plans and Implementation: N.A.

## I. Business Activities

### (I) Business Scope

#### 1. Main areas of business operations

- (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 Equipment Construction
- (11) E603100 Electric Welding Construction
- (12) E604010 Mechanical Installation Construction
- (13) E605010 Computing Equipment 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

# Operations Overview

- (26) F206030 Retail Sale of Die
- (27) F212050 Retail Sale of Petroleum Products
- (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 Equipment 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
- (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 the Company

- Commercial vehicles:
  - Delica 2.4L series
  - CMC A180/A190 1.5L series
- Sedans:
  - Grand Lancer 1.8L series
  - Colt Plus 1.5L series
- Recreational/Business vehicles:
  - Outlander 2.4L series
  - Outlander PHEV series
  - Eclipse Cross 1.5T series
  - Zinger 2.4L series
- Electric vehicles
  - Electric scooter series: iE125, EZ1, iE PICKUP, eMoving Super

# Operations Overview

Electric bikes: Bobe, Shine

Electric commercial vehicles: CMC EV series

## 4. Future plans for new products

Our plans for the development of new products during the next three years aim to meet market demands and create sales topics. We will continue to unveil innovative and cutting-edge types on the basis of our current models in order to enhance the competitiveness of our products and the power of product in each market segment. With comprehensive marketing strategies, our sales performance will improve. Moreover, responding to the trend of electrification of vehicles, the Company will strengthen the coverage of new energy vehicles and gradually introduce HEV hybrid vehicles, PHEV plug-in hybrid vehicles and BEV electric vehicles for sale.

The diversified energy strategy based on the battery-charging and exchanging, provides the best solutions to the customers in various using scenarios, in terms of new product development. For the charging-type EV mainly for being charged at home, other than retaining the current clientele, it is attempted to expand the blue ocean market, to improve the sales by planning new year models with brand new business model. For the battery-exchanging type of vehicle, the Company will work with Gogoro Network, and the brand new generation product with functionality, maneuver, and technologies. The Fun-Heart-Ride App also expanded the functions, for better and more comfortable user experience. The “Youth Channel Program” has been introduced to the channels, and the product and service features of two-wheel EVs are demonstrated actively.

## (II) Industry Overview

### 1. Current and future industry prospects

The number of sales in Taiwan in recent years was approximately 420,000 to 450,000 units. According to the data released by the National Development Council, last year in December (2021), the Purchasing Managers Index (PMI, if over 50% means the economy is expanding) of the manufacturing sector was 59.3%, indicating a consecutive 18 months of expanding. In last year (2021), the number of total sales

in the Taiwanese car market was near 450,000 units, or 1.7% decline from that of 457,000 in 2020. Looking to this year (2022), the international and domestic COVID-19 pandemic is spreading due to variants; the world is facing the short labor, risk of supply chains, and rising inflationary pressure. The global economy is certainly impacted. However, as the coverage of vaccination increases, the severe cases and deaths of the infected declined drastically, the rigorous pandemic-containment measures are expected to be imposed again by various countries easily; the global economy is still likely to recover slowly. Research institutions are optimistic about Taiwan's economic growth rate for this year (2022), with estimates of 4.15% from DGBAS, 4.1% from Taiwan Institute of Economic Research, 3.67% from the TIER, and 3.15% from the IHS.

In this year (2022), the COVID-19 pandemic will continue, plus the serious shortage of automotive chips, and rising prices of some parts and components, the supply of vehicles is for sure to be tight. Last year (2021), the total sales volume accumulated to nearly 450,000 units; for this year (2022), the overall market is expected to be 436,000 unit.

### 2. Upstream, midstream and downstream industry linkages

Automobiles is a technology and capital intensive industry that involves an extensive range of business partners from parts suppliers in the upstream, car manufacturing in the midstream to sales and after-sale service partners in the downstream. These industry participants work closely and affect each other on a significant level. The relationship between parts suppliers and car manufacturers is especially intricate given the complex procedures and more than ten thousand parts involved in car manufacturing and assembly. For this reason, parts suppliers generally work with car manufacturers in a satellite arrangement to ensure long-term and stable business relationship. Due to the tight working relationship within the automobile industry, car manufacturers also have the tendency to engage upstream and downstream partners in vertical integrations of varying degree.

### 3. Product development trends

# Operations Overview

Automobiles is a competitive market in Taiwan, one that car manufacturers are constantly creating new segments by introducing new models and offerings. Due to rising environmental protection awareness and oil prices, car manufacturers become more aggressive in the introduction of next-generation engines successively, hybrids, plug-in hybrids and electric vehicles, and CMC responds to this trend by continuously assessing and investing into the development of relevant technologies.

#### 4. Product competition

While the overall automotive market in last year (2021) declined 1.7% from 2019, the market share of the domestically produced cars grew to 55.3%. The market share of the imported car declined, mainly because many car makers were affected by the pandemic and chip shortage. To improve the resilience for embracing future risks, the Company continues investing in R&D and production capabilities, and improving the product competitiveness, to meet the changing consumer demands and market environment.

### (III) Technology and R&D overview

#### 1. R&D expenses

In 2021 the Company's standalone R&D expense was NT\$1,390,782 thousand. In 2021 the consolidated R&D expense was NT\$1,427,381 thousand.

#### 2. Successfully developed technology and products in 2021 and by 31 March 2022

- (1) In September 2021, the electrical two-wheel general heavy scooter, EZ1 battery-exchanging model was developed, and massively produced for sales.
- (2) In September 2021, the product enhanced edition of Grand Lancer was developed and launched for mass production and sale.
- (3) In September 2021, the regulation-corresponding model of Colt Plus was developed and massively produced for sale.
- (4) In September 2021, the Zinger/Zinger Pickup regulatory-aligned model was fully developed and launched for mass production and sale.
- (5) In September 2021, the Delica/ Delica-Truck regulatory-aligned model was fully developed and launched for mass production and sale.

- (6) In September 2021, the CMC A180/ A190 regulatory-aligned model was fully developed and launched for mass production and sale.
- (7) In October 2021, the enhanced edition of Outlander was developed and launched for mass production and sale.
- (8) In November 2021, the Zinger Pickup three-opening model fully was developed and launched for mass production and sale.

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

For short-term, the Company will invest more in commercial vehicles to upgrade existing products, develop new models, and accelerate the electrification and smartening of vehicles to withstand challenges from competitors; in terms of the passenger car market, new models from Japan Mitsubishi will be continually imported, the new brands with potentials are being sought additionally, to obtain the products and technologies of new energy vehicles, i.e. EV and hybrid vehicles, while providing diverse products, to satisfy different customer needs under different using scenarios, benefitting the Company's sustainable development. For long-term, to grasp the business opportunities arising from the trend of new energy industry and mobility services, the Company has not only invested in the development of electric two-wheeled products, in parallel provision of battery-charging and/or exchanging to provide consumers with multiple energy solutions, but also promoted the development of key components for new energy vehicles and refined product quality and technical capabilities. Therefore, the Company will adopt the four aspects of "defending the market position in the Taiwanese commercial vehicles," "expanding new opportunities for Taiwan passenger vehicle market," "proactively expanding electric two-wheeled vehicles market in Taiwan," and "focusing on developing new energy business" as its long-term development strategy, and continually scaling its export and developing Automated Guided Vehicle (AGV) to achieve sustainable profitability and operations with the Company's growth.

## II. Market, production, and sales overview



# Operations Overview

## (I) Market analysis

### 1. Market condition of car sales

The Company's products include sedans, commercial passenger vehicles, recreational vehicles and commercial vehicles, and the main sales area is Taiwan. Last year (2021) the number of total cars sold under the Company's brand (including imports) was 51,938 (YoY -0.66%), accounting for a 11.5% market share. Of the products sold, sedans accounted for 5,437 (YoY -22%), RVs 10,693 (YoY -10.7%); commercial vehicles (including heavy commercial vehicles) accounted for 35,808 (YoY +7.5%). (The above figures were based on the number of licensed cars)

### 2. Future supply, demand and growth of the car market

Taiwanese car market has been in drastic decline from the peak sale of 510,000 units in 2005 to half of which, 229,000 units, in 2008. However, in recent years, under the reshuffling of the global supply chain caused by the U.S.-China trade war and the favorable government policy of replacing the obsolete vehicles the total sales volume has exceeded 443,000 units on average in the past five years, and the total market volume even got closer to 450,000 units last year (2021). In terms of the domestically produced car market, the good pandemic containment in Taiwan, with the large-scale rotation of domestically produced car models by the key players, the total sales of the domestically produced cars was nearly 249,000 unit, with the market share increasing to 55.3%. The total sales of imported cars was 201,000 unit, and the market share declined from 47.2% in 2020 to 44.7% in 2021. The factors included the sea freight and capacities of the original car makers, resulting the delivery of imported car decreased significantly.

### 3. Competition strategy in the car market

Faced with a challenging environment, the Company will proactively focus on deepening the Taiwanese market and investing into new energy and systems. Explanation is as follows:

Favorable factors

(1) After years of diligent cultivation, the Company has established an excellent

## Operations Overview

brand image with great word of mouth that has won consumers' identification and recognition. Moreover, the Company have successfully been established as the No. 1 commercial vehicle brand among consumers.

- (2) The Company has engaged in in-house R&D for decades, and in 2000, China-motor Asia Research & Technology Center (CARTEC) was established. The continuous investments accumulate the R&D capabilities, and well recognized by the partners other than laying a solid foundation.
- (3) For passenger cars, the Company is seeking new brands with potentials are being sought additionally to the cultivation of Mitsubishi brand, to meet the diversified consumer demands.
- (4) In response to the trend of green energy, the Company has been early in the development of new energy technology and has mass-produced vehicles in the field of new energy systems, including electric cars and electric scooters, and is one of the pioneers in Taiwan's domestic electric vehicle industry. In addition, with the market demand for electric scooters, the cooperation with Gogoro has been expanded continuously, to provide more holistic new energy vehicles. Furthermore, the Company also actively work with the strategic partners to introduce the pure EV and PHEV models to Taiwanese market, seeking to become the pioneers of domestically produced car launching into the new energy field under the electrification trend.
- (5) The Company has the most compact sales and service network and a complete horizontal peripheral business system in Taiwan. The scope of services includes automobile sales, product insurance, car owner services, car leasing and used car sales, etc. With innovative technologies such as digital marketing, the Company is able to enhance its competitive advantages comprehensively and effectively.

### Unfavorable factors:

- (1) The conventional car makers have accelerated the progresses of new energy and auto driving vehicles via the alliance and partnership to respond to the impacts

## Operations Overview

from the innovative car makers like Tesla and Rivian. With their ample market resources, the technological gaps with the conventional car makers are widened.

- (2) To cope with the increasing rigorous car emission regulations at different countries, the conventional car makers not only invest in the development of new energy vehicles, the hybrid products with better energy consumption are launched continuously.
- (3) Through brand consolidation, cooperation and global production arrangement, multinational car manufacturers provide the market with more cost competitive imported models. On the other hand, luxury imported cars have also been imported in parallel to provide the market with the opportunity to enjoy luxury cars at a more affordable price, with a variety of car models to meet the different needs of consumers and correspondingly compress the competitiveness of domestically produced cars.

### Countermeasures:

- (1) Cultivate the Taiwan market

Flexibly utilize the Mitsubishi brand and in-house developed products to develop dual lines, enhance product competitiveness, and shorten product development lead time. In addition to actively participating in Mitsubishi Motors' new vehicle development program, the Company is also launching new products under the self-owned brand to bring the new models closer to the needs of the Taiwan market and to expedite the introduction process of the new models.

Meanwhile, the sales channel has been undergoing a transformation of corporate identity since 2018 following the reshaping of the Mitsubishi brand to bring consumers a whole new experience.

CMC will continue to develop auto parts according to customers' needs to satisfy consumers' diverse demands. A mobile APP has been developed in line with the new consumption trend to provide car owners with more personalized and customized service, and to improve customers' attachment and loyalty to the CMC brand.

- (2) Actively expanding export sales and joining the international production system of Mitsubishi Motors Japan.

The Company is actively accelerating the expansion of its foreign sales business, giving priority to the Middle East, Central and South America, and Southeast Asia markets. Through the enhancement of its own technology, the Company is actively participating in the international production system of Mitsubishi Motors Japan, expanding the benefits of technology development and application fields, and striving for more opportunities for cooperation in overseas markets to strengthen the combined effect of each other.

- (3) Enhance the ability of technology R&D

The Company has invested in the establishment of the “China-motor Asia Research & Technology Center” and has developed various new and improved models (e.g. Veryca/E-Veryca、Zinger Pick up、Colt Plus, etc) to accommodate the needs of automotive markets. In the future, the Company will expand the scope of its in-house technology and establish the capability of key components support to ensure the competitiveness in self-developed vehicles and the new energy market, and to cultivate independent design and development capabilities.

#### 4. Electric scooters and bikes:

In last year (2021), the overall sales were impacted by the Level 3 Alert after the pandemic in May, the local government’s electric scooter subsidy changed, and the unstable supply of automotive chips at the end of the year, the overall sales were only 809,194 units (i.e. the units obtained number plates), or 21.9% decline for the full year. However, the electric scooters market rebounded, defying the trend, and regain two digit market share, as 11.6% by selling 94,000 units for the whole year. In last year (2021), the sales of EV in the overall market grew significantly, mainly because the government review the electric scooter subsidy policy again, and the zero-emission trend also urge the local government to enhance the subsidy of replacement for electric scooter.

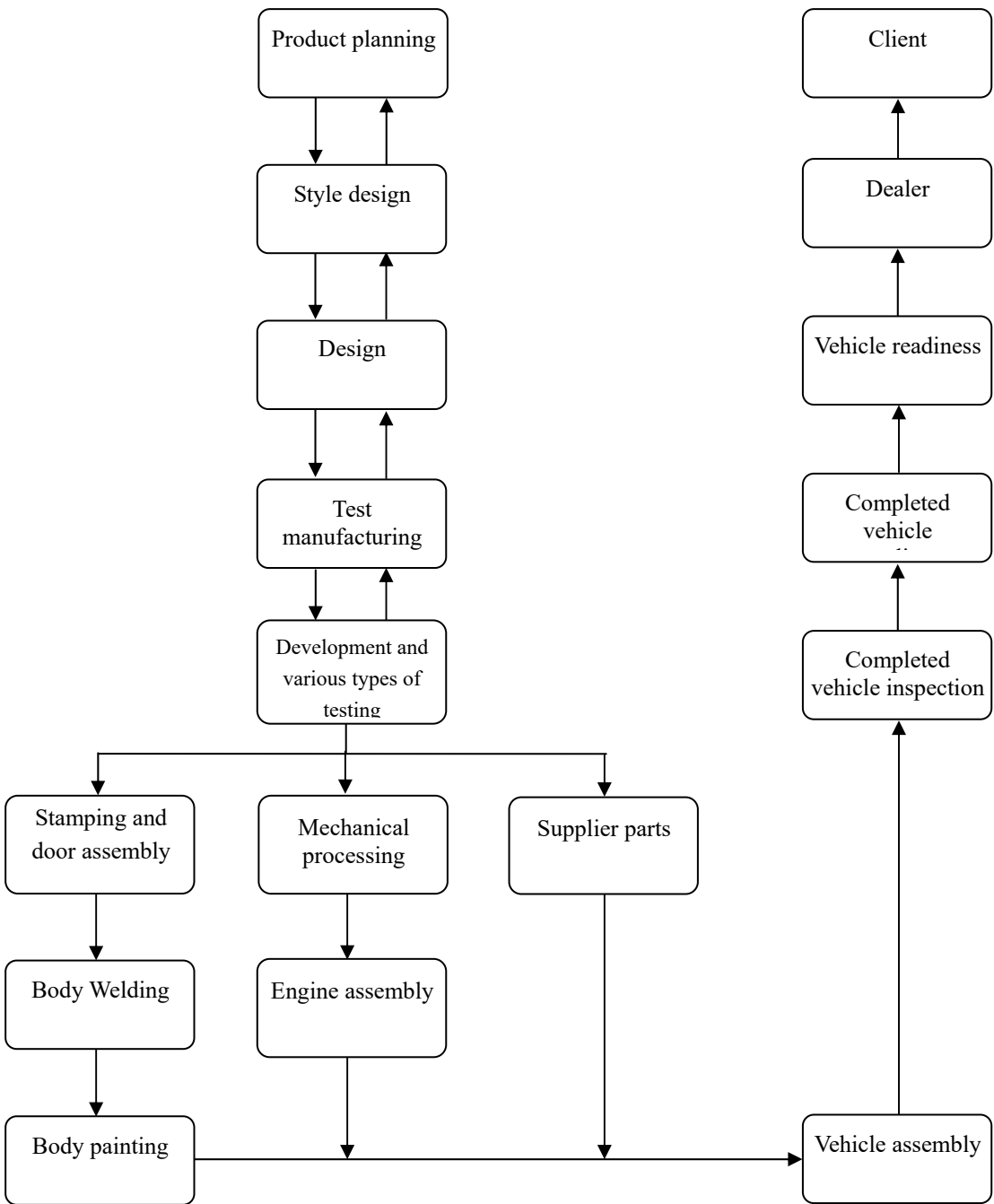
During last year (2021), the Company’s electric scooter, eMOVING, was obviously

## Operations Overview

affected by the pandemic, only 2,467 units obtained number plates, declined 18.7% year on year. The electric bicycles were sold 3,214 units, declined 0.9% year on year. The Company launched the ordinary heavy battery-charging electric scooter (iE125) in 2019 to enter the mainstream market; and in September 2020, the first light battery-exchanging electric scooter (EZ1) was launched, to satisfy different consumers' demands. In the future, eMOVING brand will adopt different models to respond to the three major energy filling approaches, namely fast-charging, convenient home charging, and battery-exchanging, depend on differing using scenarios of consumers, to meet the diversified consumers' demands and replenish the product lines of electric scooters.

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

The Company mainly produces a variety of commercial vehicles, sedans and leisure/commercial vehicles primarily for cargo, passenger and leisure use, and their production processes are as follows:



# Operations Overview

## (III) Supplying Status of Core Materials

The raw materials purchased by the Company are critical parts needed for operations such as car and scooter manufacturing, sales and maintenance. International suppliers are companies including Mitsubishi Corporation of Japan. Domestic parts supplies are supported by auto and scooter parts third-parties. With signed contracts and long-time cooperation, the Company's raw materials supplying status is very stable.

Category	Supplier	Item	Procurement Strategy
Automotive Parts	Mitsubishi Motors Corporation and others	Imported parts	Contract signed, delivery in batches
Automotive Parts	115 automotive parts suppliers such as Kian Shen Corporation	Auto parts that are domestically produced	Contract signed, delivery in batches
Raw material	CPC Corporation and others	Various oil products	Contract signed, delivery in batches
Raw material	Such as Taiwan Kansai Paint Co. Ltd.	Baking varnish, spray paint, solvent, etc	Contract signed, delivery in batches
Raw material	Nippon Steel and Sumitomo Metal and Chun Yuan Steel Industry Co., Ltd. and others	Steel plates	Contract signed, delivery in batches

## (IV) Suppliers and Clients that Takes over 10% of the Amount of Imports (Sales) over the Last Two Years

1. There has been no supplier from who the purchase amount exceeds 10% of the total purchase.
2. Major Clients in the Last Two Calendar Year

Unit: NTD\$ Thousand

2020				2021			
Company Name	Value	% of Total Net sales	Relationship with Issuer	Company Name	Value	% of Total Net sales	Relationship with Issuer
Fortune Motors Co	19,179,923	62	Affiliate accounted for using equity method	Fortune Motors Co	18,839,506	61	Affiliate accounted for using equity method
Shung Ye Motor Corporation	5,259,792	17	Affiliate accounted for using equity method	Shung Ye Motor Corporation	4,348,180	14	Affiliate accounted for using equity method
Daimler Trucks Asia Taiwan Ltd.	2,131,293	7	-	Daimler Trucks Asia Taiwan Ltd.	3,490,997	11	-
Net Sales	30,874,600	100	-	Net Sales	31,125,399	100	-

Note: the table above is the consolidated information

# Operations Overview

## (V) Production in the Last Two Years

Unit: Volume: unit  
Value: NT\$ thousand

Capacity and Value Main Products	Year Volume	2020			2021		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
4-wheeld vehicles		56,880	47,365	19,451,372	65,448	50,014	20,540,808
2-wheeled vehicles		14,640	3,108	90,702	19,089	4,692	99,657

Note: The production volume and value in the table above are based on production of completed cars. Production capacity refers to 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 Calendar Years

Unit: Volume: unit/set  
Value: NT\$ thousand

Volume Main Products	Year	2020				2021			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
4-wheeld vehicles		48,440	22,138,001	744	216,420	49,441	22,562,825	1,028	289,634
2-wheeled vehicles		5,964	305,697	-	-	5,365	198,493	-	-

Note: The sales value and value in the aforementioned table is mainly based on sale of completed car.

## III. Sales over the Last 2 Years

Annual		2020	2021	March 31, 2022
Number of employees		2,917	2,780	2,741
Average Age		42.32	43.06	42.80
Average years of Service		13.59	14.80	14.58
Education	Ph. D.	2	3	3
	Master	517	509	507
	Bachelor	1,120	1,114	1,095
	Senior High School	1,084	994	972
	Below Senior High School	194	160	164

Note: The table above is based on consolidated information.



# Operations Overview

## IV. Environmental Protection Expenditure

- (I) Any losses suffered by the Company in 2021 up to March 31, 2022 due to environmental pollution incidents: none
- (II) Forecast of Environmental Protection Expenditure for the Next Three Years

Unit: NTD\$ Thousand

Item \ Year	2022		2023		2024	
	Environmental Protection Expenditure	Value	Environmental Protection Expenditure	Value	Environmental Protection Expenditure	Value
Proposed Pollution Prevention and Control Equipment or Expenses	(1) Waste water, waste gas and waste treatment transportation fee (2) Pollution Inspection Fee	45,011 10,071	(1) Waste water, waste gas and waste treatment transportation fee (2) Pollution Inspection Fee	39,053 10,838	(1) Waste water, waste gas and waste treatment transportation fee (2) Pollution Inspection Fee	39,253 9,800
Expected improvement situation	Complied with the (1) Air Pollution Control Act, (2) Water Pollution Control Act, (3) Waste Disposal Act, and (4) Toxic and Concerned Chemical Substances Control Act.					

## V. Labor and Management Relationship

- (I) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

### 1. Employee Welfare

- (1) Uniforms, transportation vehicles and holiday/night car rental concessions.
- (2) Fully equipped dormitories, activity centers, training centers, restaurants and nurseries.
- (3) Regularly holding activities such as family day, year-end dinner and raffles drawing, domestic and foreign travel (with travel subsidies),
- (4) Sponsoring employee's social group activities.
- (5) Free group term insurance, injury insurance, and regular health checkups for colleagues.

- (6) Providing hospitalization condolences, sympathy and mutual aid pro mourning, and dependents entitled to hospitalization benefits.
- (7) Providing gifts for the three major Public Holidays, birthdays, wedding, child birth, pregnancy and retirement.
- (8) Providing scholarships for employees and their children, emergency loans and aids.
- (9) Signing agreements with excellent domestic stores to become “Appointed Stores” to provide employees with diversified information for purchasing and selection.
- (10) Providing discounts to employees for purchasing cars.

### 2. Education and Training system

- (1) The Company’s human resources development integrates the two goals of "Corporate Development" and “Employee Satisfaction” to nurture professionals, develop personal potential and establish learning organizations so that the growth of the Company and employees are integrated.
- (2) To implement the concept of talent development, the Company's talent development system is divided into " in-house education and training," "off-site education and training," "overseas training," "job training" and "training for verification personnel" to provide a series of courses of core working skill, management skill and professional skill and to offer a convenient real-time online learning system, so that the personal development of employees and the needs of the work task are closely integrated.

#### A. In-house education and training:

- a. Core working skill training
- b. Management skill training
- c. Professional skill training
- d. New Employee Training
- e. Project Training

#### B. Off-site education and training:

For the implementation of education and training in the Company, in addition to the planned in-house education and training, each department may apply to send its staffs to participate in various education and training courses sponsored by external organizations according to its needs. The application for

## Operations Overview

off-site education and training shall be reviewed by the education and training department for qualification and recommendation of dispatching the training or not.

### C. Overseas training:

Each department may, according to its actual work needs, participate in overseas training organized by external organizations, or propose its own overseas training program and send appropriate personnel to overseas training after approval. The Company also provide project training for the executives of joint venture companies based in China to come to Taiwan.

### D. On-the-Job training (OJT):

The managers at each level will develop their staff's abilities by assigning work, coaching, and implementing projects in the workplace according to the nature of their work and their individual abilities.

### E. Training for verification personnel:

Training and qualification verification for personnel of each department who engages in design, production, installation, after-sales service and environmental management related inspection, testing and monitoring matters, internal auditing and environmental management, and safety and health related operations.

### F. Succession training for management and executive personnel:

The Group's senior management conference regularly reviews the selection, promotion, rotation, relocation and expatriation, and cultivation process of the succession of senior management of the Group and each subsidiary every year to implement the management mechanism of the Group's reserve candidates. In addition to providing multiple training methods for the reserve talents in the "Management Talent Cultivation Program," the Company also assigns important projects and responsibilities and establishes a rotation career path to complement the implementation of experience training and job rotation for increasing the working exposures and accelerating the maturity of the reserve talents.

### 3. Retirement System

- (1) The retirement of employees shall be conducted in accordance with the following stipulations:
  - A. The Company has a retirement plan for its regular employees. The retirement reserve is funded monthly by the Group and is managed by the Company's Labor Retirement Reserve Supervisory Committee and deposited in the name of the Committee in Bank of Taiwan.
  - B. Those who choose to adopt the Labor Standards Act for retirement will be eligible for retirement benefits only when they meet the Labor Standards Act requirements for retirement and apply for retirement.
  - C. Those who choose to adopt the Labor Pension Act shall be paid monthly by the Company to their personal accounts based on the wages of the employees from the date of filing, and their years of service before opting for the Labor Pension Act will be preserved and they can apply for pension only when they meet the retirement requirements of the Labor Standards Law and apply for retirement.
  - D. The Labor Pension Act is applicable to all employees who joined the Company after 1 July 2005 (including those who left and were re-employed).
- (2) The retirement requirements of employees shall be conducted in accordance with the following stipulations:
  - A. An employee who has one of the following conditions may apply for retirement:
    - a. Have been employed by the Company for at least 15 years and have reached the age of 55.
    - b. Have been employed by the Company for at least 25 years.
    - c. Have been employed by the Company for at least 10 years and have reached the age of 65.
  - B. The Company shall not compel an employee to retire unless the employee falls under one of the following circumstances:
    - a. Reaches the age of 65
    - b. Is mentally or physically incapacitated for work.
- (3) The pension benefits for employees calculated in accordance with the Labor

# Operations Overview

Standards Act are as follows:

- A. Two base units shall be granted for each year of service; however, one base unit shall be granted for each year of service in excess of 15 years, up to a maximum of a total of 45 base units. Those who have worked for less than half year shall be counted as half year, and those who have worked over half year shall be counted as one year.
- B. For employees who retire due to mental or physical disability resulting from the performance of their duties, 20% or five base units shall be added in accordance with the provisions of the aforementioned clauses.
- C. The standard of base unit of pension refers to the average monthly salary at the time of retirement approved.

## 4. Labor-management Agreements

- (1) Based on the concept of coexistence and co-prosperity, our Company works together in the spirit of harmony and cooperation to seek the greatest benefits for all employees.
- (2) The Company has established a year-end bonus and profit-sharing system to combine the interests of employees with that of the Company and to create excellent performance together.
- (3) Regularly convene labor-management meetings to smoothen communication channels and promote harmonious and solidarity between employers and employees.

## 5. Employee Rights Protection Measures

- (1) Promote a program of assistance for employees to maintain their physical and social health, provide psychological and legal consultation and counseling, and build a comprehensive, holistic and caring counseling system.
- (2) Conduct training on managerial roles and implement coaching skills in daily management.
- (3) Promote the concept of multi-directional communication, encourage participation in management, and cultivate team consensus.
- (4) Disclosure of operation and management status to increase cohesion and crisis awareness among employees.

- (5) Focus on issues of employees, enhance the union organization, and protect the rights and interests of employees.
- (6) Regularly convene labor-management meetings to coordinate the relationship between employers and employees.

### 6. Working environment and employee safety protection measures

Work safety is the most important aspect of the Company, therefore, in addition to the implementation of the relevant national laws and regulations, the Company has obtained the Ministry of Labor's "Occupational Safety and Health Management System Performance Accreditation" in 2019, as well as the certification of ISO/CNS 45001, valid until December 13, 2023; which shows the Company's persistence in continuously improving the occupational safety and health standards. Moreover, for various hazards that may be caused by the nature of different workplaces, such as: cutting, winding, induction, falling, fire and explosion, falling objects, poisoning, asphyxiation...etc., hazard identification, risk assessment and introduction of hazard prevention measures and related management regulations are conducted to ensure the safety and physical and mental health of all employees and stakeholders. Meanwhile, the Company has continued to improve the risk of hazards to personnel, equipment and the environment through the operation mechanism of the occupational safety and health management system and completed 841 safety and health improvements in 2021.

#### (1) Specific practices for a good working environment

- A. The Company has planted abundant flowers and trees in the vacant land of its factories to decorate the environment and has planned thematic flower areas and seasonal flowers according to the seasons.
- B. Set up QCC space, a café, and other resting places.
- C. Smoking is prohibited in all workplaces and restaurants and can only do so in designated smoking locations.
- D. Set up a special walkway for dining and commuting to and from work, and properly separate pedestrian and vehicle traffic.
- E. The plant is widely equipped with turbine exhaust and partial exhaust equipment to ensure air quality.
- F. Introduction and improvement of intrinsic safety of equipment

## Operations Overview

- G. Additional air conditioners are installed in the painting areas to improve comfort.
- H. Every half year, the Company implements the environment measurement to monitor and improve the working places for dust, noise and organic solvents in the factory.
- I. To cope with the COVID-19 pandemic, the fast-screening station and vaccination station are set up in the plants.

(2) Protection measures for employee's physical safety

- A. Plan and implement occupational safety and health management system to improve the performance of safety and health management.
- B. Develop occupational safety and health management plans and execute them effectively to ensure the safety and health of employees.
- C. Regularly convene occupational safety and health meetings and track the status of achieving safety and health performance indicators to strengthen the implementation of safety and health policies
- D. Regularly conduct health examinations for employees and require employees to undergo regular follow-up examinations or treatment in addition to health education for those with abnormal health examination results to ensure the health of employees.
- E. Promote the concept of hazard prevention and risk management among employees and their families, and continue to conduct home safety and fire escape training, fire escape training in employees' offices, factories and dormitories, carbon monoxide poisoning prevention, traffic safety, observation of employees' work safety, and other factory disaster cases studies. In 2021, a total of 1,217 people had completed occupational safety and health education training.

7. Code of Conduct and Ethics

- (1) Code of Conduct: The Company has set "honesty, care and responsibility" as the code of conduct for its employees.
- (2) Code of Ethics: The Company's work rules include a special chapter on "Service Ethics," which explicitly regulates work attitude, stringent confidentiality, rules on the use of public property, and the prohibition of accepting bribes or improper benefits.

- (II) List any losses suffered by the company in 2021 up to March 31, 2022 due to labor disputes

The Company did not have labor-management disputes in 2021 and as of 31 March 2022 and will continue to promote labor-management harmony in such spirit, and hence the Company does not expect to suffer any contingent losses from labor-management disputes in the future.

### VI. Cyber security management

- (I) Cyber security management strategy and framework

The Company complies with Chapter II “Design and Operation of Internal Control Systems,” and Article 9 “Process the Digitized Information System” of the “Regulations Governing Establishment of Internal Control Systems by Public Companies” to establish the related internal operating regulations, and improve operating environment, to respond to the information security challenges and impacts brought by the evolving technologies, and lower the risk of information security threats.

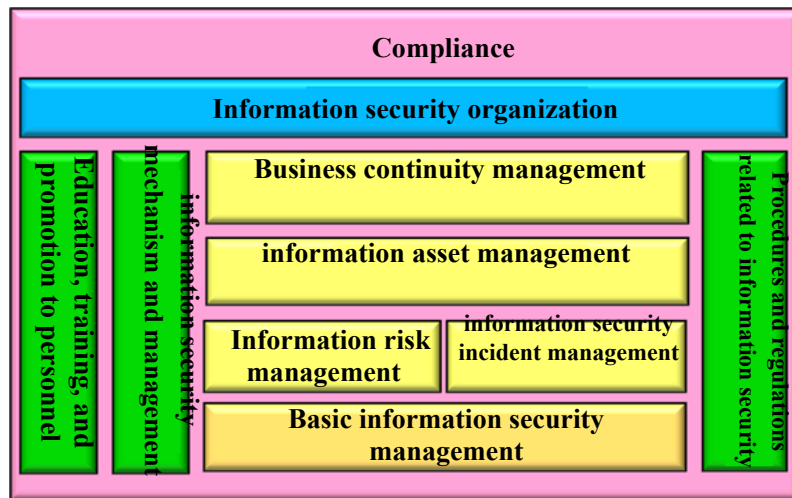
#### 1. Cyber security management framework

- (1) Information security governance organization

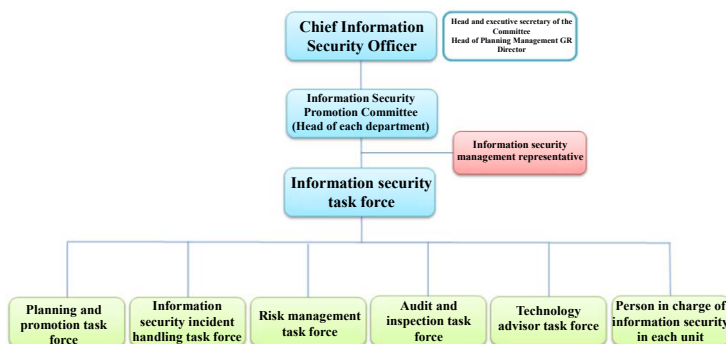
To improve the information security management, the Company introduced the BS7799 Information Security Management System Regulations since 2004, and established the “Information Security Promotion Committee,” in charge of the operation and management, supervision and audit of the Company’s information security; the audit unit reports the review of information security governance to the Board of Directors. The Company’s information security strategies, while maintaining the sustainable corporate operation, ultimately, relies on the compliance.



# Operations Overview



## (2) Information security organization framework



## 2. Information security policies

### (1) Corporate information security management strategy and framework

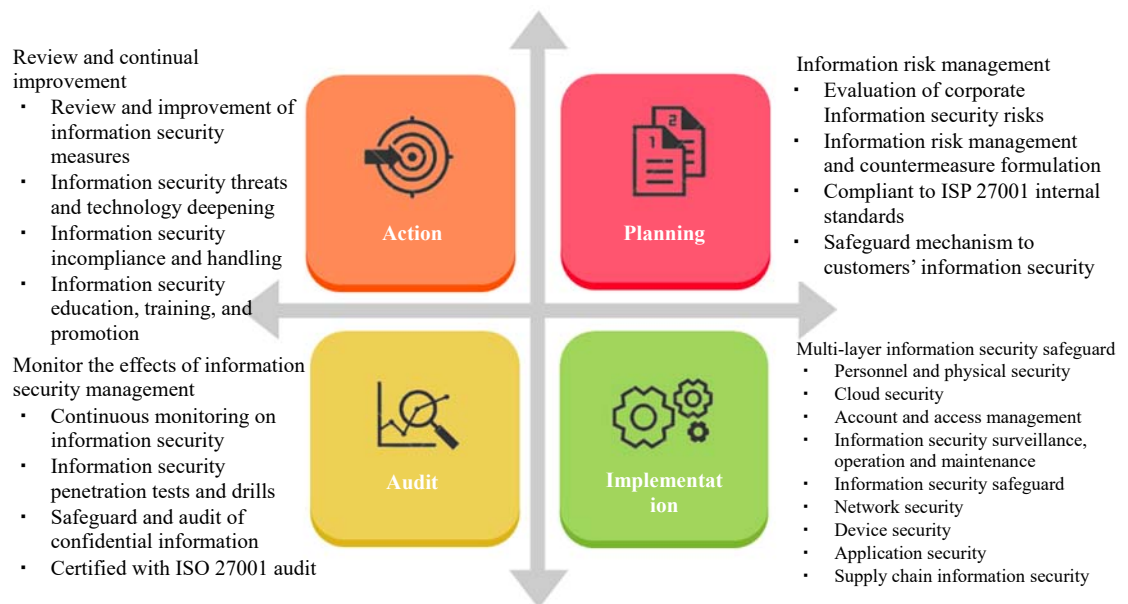
To effectively implement the information security management, the information security working plans are reviewed via the information security task force. Based on Plan-Do-Check-Act (PDCA) management circular mechanism, the applicability and protective measures of information security policies are reviewed, and the results are periodically reported back in the information security review meeting.

- ① “Planning Phase” emphasizes the information security risk management, while establish the complete information security management system (ISMS), and promoting the upgrading and introduction the certification of international

information security management system (ISO/IEC 27001) , to reduce the corporate information security threats from the aspects of system, technology, and procedure, and thus establishing the highest-spec confidential information safeguard service meeting customers' needs.

- ② “Do Phase” establishes the multi-layer information security safeguard, and continues to introduce innovative information security defense technologies, to integrate and internalize the information security control mechanism to the daily operating process such as operation and maintenance of soft- and hardware, and supplier information security management, as well as monitor the information security systematically, to protect the confidentiality, integrity, and availability of the Company's key assets.
  - ③ “Check Phase” actively monitors the effects of the information security management, and takes corrective or improving measures based on the outcomes of audit; the information security vulnerabilities are patched via the regular vulnerability scanning.
  - ④ “Act Phase”: takes the review and continual improvements as the foundation, to implement the supervision and audit, for ensuring the continuous effectiveness of the information security regulations. When employees violate the related regulations and procedures, they are handled with the process handling the information security violation, and the HR disciplinary action may be taken depending on the violation (including their annual performance appraisal or take necessary legal action); in addition, the improvement actions, such as information security measures, education, training and promotion shall be reviewed and implemented regularly, to ensure the Company's key confidential information not leaked out.
- (2) Corporate information security risk management and continual improvement framework

# Operations Overview



## (3) Concrete management programs

### ① Multi-layer information security safeguard

- a. Network security: establishing new-generation firewall system, building the network identity identification system, enhancing the virtual corporate network system, executing periodical computer scanning and updating system and software.
- b. Device security: upgrading anti-virus and anti-hack system, introducing system screening system to reduce the risks of phishing attack, building end-point safeguard system, and establishing the virus scanning at the entrance for device.
- c. Application security: complying with the SDLC standards for program development; enhancing the security control mechanism for applications, and integrating such to the development process and platform.
- d. Supply chain information security: establishing the self-check mechanism of supplier's Supply chain information security safeguard, promotion of information security threat information and the Company's information security regulations and notices, from time to time.

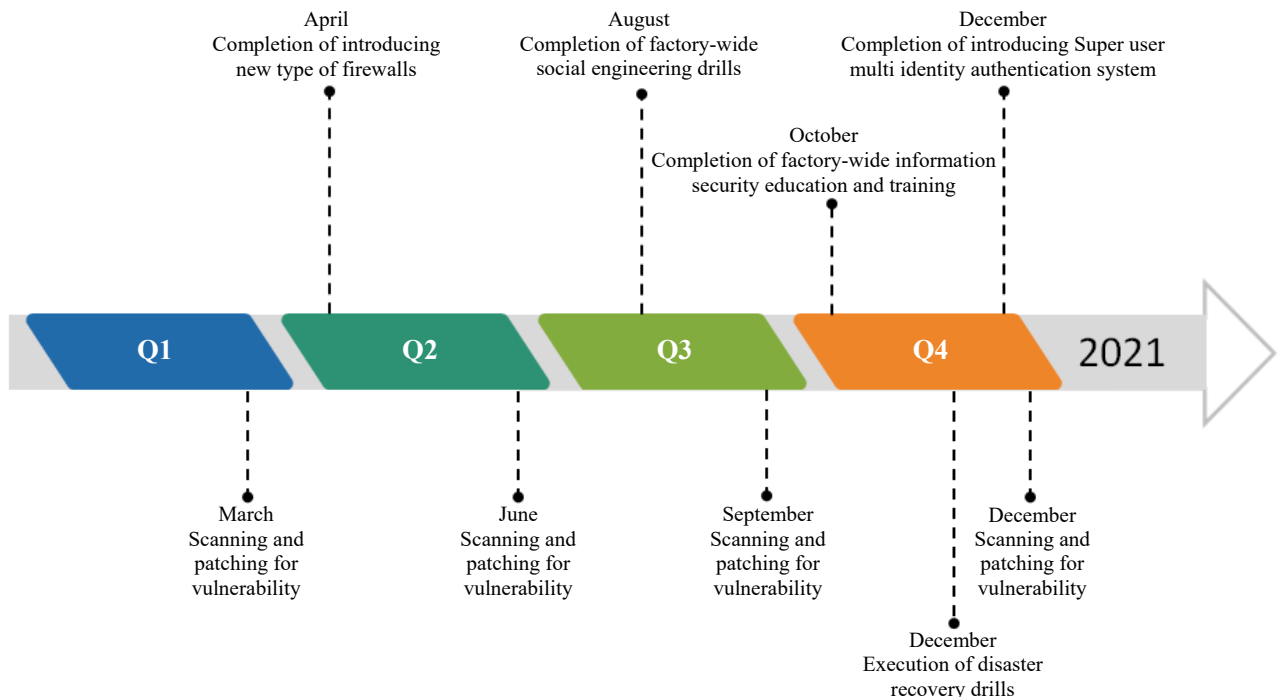
### ② Review and continual improvement

Other than continuously implementing the information security cycle operation, the future information security enhancement is planned pursuant to the Group's "information security development blueprint."

- a. System maintenance and operation: regularly executing scanning for system security vulnerabilities, continuing the enhancement of basic information environment, building automated remote storage mechanism of backup data, adjusting and revising the disaster recovery process and drills in a rolling way.
- b. Smart production: establish the anti-virus and anti-hack mechanism for production equipment; enhance the security control and monitor for production network.
- c. Information security trainings: implement the social engineering drills, and conduct information security related training from time to time.

(4) Resources invested in cyber security management

2021 outcomes of promotion of corporate information security measures



# Operations Overview

## (II) Cyber information risks and countermeasures:

The Company has established the Information Security Promotion Committee monitoring the latest information regarding information security threats, and the legal affair unit tracks the information security regulations and policies; the Administration Department of the Group establishes the basic information security framework, to evaluate the effect on the Company's future development and its finance and business.

### 1. Risks and management measures of information technology security

The Company has established a comprehensive internet and computing security network, but it cannot guarantee that its computing systems which control or maintain vital corporate functions, such as its manufacturing operations and enterprise accounting, would be completely immune to crippling cyber attacks by any third party to gain unauthorized access to its internal network systems, to sabotage its operations and goodwill or otherwise. In the event of a serious cyber attack, the Company's systems may lose important corporate data or its production lines may be shut down pending the resolution of such attack.

While the Company seeks to continuously review and assess its cybersecurity policies and procedures to ensure their adequacy and effectiveness, the Company cannot guarantee that it will not be susceptible to new and emerging risks and attacks in the evolving landscape of cybersecurity threats. These cyber attacks may also attempt to steal the Company's trade secrets and other sensitive information, such as proprietary information of its customers and other stakeholders and personal information of its employees. Malicious hackers may also try to introduce computer viruses, corrupted software or ransomware into the Company's network systems to disrupt our operations, blackmail us to regain control of its computing systems, or spy on it for sensitive information. These attacks may result in us having to pay damages for its delayed or disrupted orders or incur significant expenses in implementing remedial and improvement measures to enhance its cybersecurity network, and may also expose us to significant legal liabilities arising from or related to legal proceedings or

## Operations Overview

regulatory investigations associated with, among other things, leakage of employee, customer or third party information, which the company has an obligation to keep confidential.

The Company implements the related improvement measures and continues to update, such as building up an production line virus-scan system to prevent malicious software from entering the production equipment; updating the new-generation firewall system and network control to prevent virus contagion in the plants; building end-point safeguard system; introducing advanced solutions to detect and handle malicious software; enhancing data protection and detection of phishing mails; establishing an integrated information security operation and maintenance platform.

In addition, the Company employs certain third party service providers for the Company and its affiliates worldwide with whom the Company needs to share highly sensitive and confidential information to enable them to provide the relevant services. Despite that the Company requires the third party service providers to comply with the confidentiality and/or internet security requirements in its service agreements with them, there is no assurance that each of them will strictly fulfill such obligations, or at all. The on-site network systems of and the off-site cloud computing networks, such as servers maintained by such service providers and/or its contractors, are also subject to risks associated with cyber attacks. If the Company or its service providers are not able to timely resolve the respective technical difficulties caused by cyber attacks, or ensure the integrity and availability of its data (and data belonging to its customers and other third parties) or control of its or its service providers' computing systems, the Company's commitments to its customers and other stakeholders may be materially impaired and its results of operations, financial condition, prospects and reputation may also be materially and adversely affected as a result.

- (3) List any losses suffered by the company in the 2021 and up to March 31, 2022 due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none

# Operations Overview

## VII. Important contracts:

Contract Nature	Parties	commencement dates and expiration dates of contracts	Details	Restrictive clauses
Licensing and technical cooperation contracts	Mitsubishi Motors Corporation	July 1, 2005 to September 7, 2025	The Company is licensed to manufacture and sell parts, components, and vehicles designed by Mitsubishi Motors Corporation based on the design, drawings, and technical specifications provided by it. Mitsubishi Motors Corporation should send staff to provide necessary technical assistance in manufacturing at any time at the request of the Company.	The Company should not assign or re-license the rights and licenses granted by Mitsubishi Motors Corporation to a third party without Mitsubishi Motors Corporation's prior written consent.
Parts supply and sales of completed vehicles agreements	Daimler Trucks Asia Taiwan Ltd.	January 1, 2017 to August 31, 2026	<ol style="list-style-type: none"> <li>1. The Company provides vehicles under the FUSO brand and locally manufactured parts to Daimler Trucks Asia Taiwan Ltd. (DTAT).</li> <li>2. DTAT shall provide imported parts to the Company.</li> </ol>	The rights and obligations shall not be transferred to third parties without the prior written consent of the counterparty.
Distribution contract	Fortune Motors Co., Ltd.	August 1, 2018 to December 30, 2024	Distribution of sedans, RVs, vans, and trucks below 3.5 tons.	Distribution territory: Taiwan and Fujian areas under the ROC jurisdiction.
Distribution contract	Shung Ye Motor Corporation	December 30, 2017 to December 29, 2024	Distribution of sedans, RVs, vans, and trucks below 3.5 tons.	Distribution territory: Taiwan and Fujian areas under the ROC jurisdiction.
Shareholders Agreement	Daimler AG	Since 4 November 2004	Established and manages Fujian Daimler Automotive Co., Ltd. (now Fujian Benz Automotive Co., Ltd.), a joint venture established among CMC, Daimler AG, and Fujian Motors Group, to manufacture medium and light sedans at the weight 2 ~ 6 tons.	Except for models licensed by Mitsubishi Motors Corporation or Daimler AG or independently developed models, the Company should not develop, manufacture, and distribute models competitive with models manufactured and distributed by Fujian Benz Automotive Co., Ltd. in China.

## Financial Overview

### I. Condensed Balance Sheet, Statement of Comprehensive Income, Auditors and Auditor's Opinions for the last five years

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

##### 1. Condensed Balance Sheet

##### (1) Consolidated Financial Statement

Unit: NTD\$ Thousand

Year Model		Financial Summary for The Last Five Years				
		2021 (Note)	2020	2019	2018	2017
Current assets		19,520,745	20,378,864	17,362,074	25,022,561	24,571,917
Investment		26,328,082	25,025,448	25,019,153	30,893,216	30,156,745
Property, Plant and Equipment		6,215,856	6,527,229	6,419,254	6,388,147	6,543,043
Intangible assets		438,039	373,697	484,360	304,163	154,628
Other assets		2,232,392	2,292,455	2,181,627	1,896,329	2,102,593
Total assets		54,735,114	54,597,693	51,466,468	64,504,416	63,528,926
Current liabilities	Before Distribution	6,765,189	7,272,243	7,660,051	7,520,912	7,787,062
	After Distribution	6,765,189	11,147,585	7,660,051	9,873,798	10,278,354
Non-current liabilities		1,644,897	1,618,806	1,641,478	1,209,415	1,284,902
Total Liabilities	Before Distribution	8,410,086	8,891,049	9,301,529	8,730,327	9,071,964
	After Distribution	8,410,086	12,766,391	9,301,529	11,083,213	11,563,256
Equity attributable to shareholders of the parent		42,672,130	42,123,390	38,742,061	52,160,275	50,950,021
Share capital		5,536,203	5,536,203	5,536,203	13,840,508	13,840,508
Capital surplus		6,421,515	6,411,778	6,414,118	6,403,633	6,407,340
Retained earnings	Before Distribution	31,192,108	30,830,486	27,593,337	32,431,776	30,434,088
	After Distribution	31,192,108	26,955,144	27,593,337	30,078,890	27,942,796
Other equity interest		(477,696)	(655,077)	(801,597)	(515,642)	268,085



# Financial Overview

Year Model		Financial Summary for The Last Five Years				
		2021 (Note)	2020	2019	2018	2017
Treasury stock		-	-	-	-	-
Non-controlling interest		3,652,898	3,583,254	3,422,878	3,613,814	3,506,941
Total equity	Before Distribution	46,325,028	45,706,644	42,164,939	55,774,089	54,456,962
	After Distribution	46,325,028	41,831,302	42,164,939	53,421,203	51,965,670

Note: The 2022 Annual General Meeting of Shareholders has not yet been convened, and the distribution of the 2020 earnings has not yet been determined; therefore, the amount before and after the distribution is the same.

## (2) Standalone Financial Statement

Unit: NTD\$ Thousand

Year Model		Financial Summary for The Last Five Years				
		2021 (Note)	2020	2019	2018	2017
Current assets		13,941,764	15,318,461	12,120,424	18,364,097	18,199,258
Investment		28,907,509	27,392,369	27,117,410	34,316,145	33,640,632
Property, Plant and Equipment		3,958,483	4,206,695	4,013,461	3,610,823	3,654,637
Intangible assets		438,039	373,697	484,360	304,163	154,628
Other assets		1,287,775	1,221,889	1,158,124	1,111,356	1,204,990
Total assets		48,533,570	48,513,111	44,893,779	57,706,584	56,854,145
Current liabilities	Before Distribution	4,882,182	5,533,590	5,310,596	4,692,751	4,969,538
	After Distribution	4,882,182	9,408,932	5,310,596	7,045,637	7,460,830
Non-current liabilities		979,258	856,131	841,122	853,558	934,586
Total Liabilities	Before Distribution	5,861,440	6,389,721	6,151,718	5,546,309	5,904,124
	After Distribution	5,861,440	10,265,063	6,151,718	7,899,195	8,395,416
Share capital		5,536,203	5,536,203	5,536,203	13,840,508	13,840,508
Capital surplus		6,421,515	6,411,778	6,414,118	6,403,633	6,407,340

## Financial Overview

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year</div> <div style="flex: 1; text-align: center;">Model</div> </div>		Financial Summary for The Last Five Years				
		2021 (Note)	2020	2019	2018	2017
Retained earnings	Before Distribution	31,192,108	30,830,486	27,593,337	32,431,776	30,434,088
	After Distribution	31,192,108	26,955,144	27,593,337	30,078,890	27,942,796
Other equity interest		(477,696)	(655,077)	(801,597)	(515,642)	268,085
Treasury stock		-	-	-	-	-
Total equity	Before Distribution	42,672,130	42,123,390	38,742,061	52,160,275	50,950,021
	After Distribution	42,672,130	38,248,048	38,742,061	49,807,389	48,458,729

Note: The 2022 Annual General Meeting of Shareholders has not yet been convened, and the distribution of the 2020 earnings has not yet been determined; therefore, the amount before and after the distribution is the same.

# Financial Overview

## 2. Condensed Statement of Comprehensive Income

### (1) Consolidated Financial Statement

Unit: NTD\$ Thousand (except for earnings (losses) per share, NTD)

Model \ Year	Financial Summary for The Last Five Years				
	2021	2020	2019	2018	2017
Operating revenue	31,125,399	30,874,600	32,067,972	34,869,514	38,908,093
Gross profit	4,938,600	4,907,079	5,298,392	6,190,557	6,521,213
Income from operations	2,039,602	1,776,670	1,819,908	1,898,041	2,434,560
Non-operating income and expenses	3,038,674	1,975,796	(3,500,171)	2,412,672	2,441,447
Net profit (loss) before tax	5,078,276	3,752,466	(1,680,263)	4,310,713	4,876,007
Net Income (loss) from continuing operation	4,403,484	3,540,548	(2,308,373)	3,892,042	4,537,351
Income from discontinuing operation (note)	-	-	-	-	2,839
Net income (Loss)	4,403,484	3,540,548	(2,308,373)	3,892,042	4,540,190
Other comprehensive income	186,693	129,049	(296,174)	(367,622)	(389,392)
Total comprehensive income	4,590,177	3,669,597	(2,604,547)	3,524,420	4,150,798
Net income attributable to shareholders of the parent	4,181,835	3,277,320	(2,465,573)	3,592,999	4,105,643
Net income attributable to non-controlling interest	221,649	263,228	157,200	299,043	434,547
Comprehensive income attributable to Shareholders of the parent	4,383,360	3,382,531	(2,674,645)	3,298,141	3,743,553
Comprehensive income attributable to non-controlling interest	206,817	287,066	70,098	226,279	407,245
Earnings (loss) per share	7.67	6.01	(2.38)	2.64	3.01

Note: Net income from discontinued operation is net of income tax.

# Financial Overview

## (2) Standalone Financial Statement

Unit: NTD\$ Thousand (except for earnings (losses) per share, NTD)

Model \ Year	Financial Summary for The Last Five Years				
	2021	2020	2019	2018	2017
Operating revenue	27,605,201	26,962,048	26,365,024	26,585,972	30,234,697
Gross profit	4,334,701	4,088,747	4,186,339	4,485,470	4,606,119
Income from operations	1,874,046	1,621,866	1,814,933	1,807,663	2,064,434
Non-operating income and expenses	2,874,789	1,756,454	(3,807,506)	2,088,336	2,275,209
Net profit (loss) before tax	4,748,835	3,378,320	(1,992,573)	3,895,999	4,339,643
Net Income (loss) from continuing operation	4,181,835	3,277,320	(2,465,573)	3,592,999	4,105,643
Income from Discontinued Operations	-	-	-	-	-
Net income (Loss)	4,181,835	3,277,320	(2,465,573)	3,592,999	4,105,643
Other comprehensive income (income after tax)	201,525	105,211	(209,072)	(294,858)	(362,090)
Total comprehensive income	4,383,360	3,382,531	(2,674,645)	3,298,141	3,743,553
Earnings (loss) per share	7.67	6.01	(2.38)	2.64	3.01

# Financial Overview

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

Annual	2021	2020	2019	2018	2017
CPA	Ya-Ling Wong Hsiu-Ming Hsu (Note)	Chih-Ming Shao Ya-Ling Wong	Chih-Ming Shao Ya-Ling Wong	Chih-Ming Shao Ya-Ling Wong	Chih-Ming Shao Ya-Ling Wong
Audit Opinion	An Unqualified opinion with Other Matter Paragraph	An Unqualified opinion with Other Matter Paragraph	An Unqualified opinion with Other Matter Paragraph	An Unqualified opinion with Other Matter Paragraph	An Unqualified opinion with Other Matter Paragraph

Note: Due to internal rotation of the CPA firm, the auditing CPA has changed from Chih-Ming Shao to Hsiu-Ming Hsu in 2021.

## II. Financial Analysis for the Last Five Years

### (I) Consolidated Financial Statement

Item \ Year		Financial Analysis for the Last Five Years				
		2021	2020	2019	2018	2017
Financial structure (%)	Debt Ratio	15.37	16.28	18.07	13.53	14.28
	Ratio of long-term capital to property, plant and equipment	771.73	725.05	682.42	892.02	851.93
Solvency (%)	Current ratio	288.55	280.23	226.66	332.71	315.55
	Quick ratio	215.77	192.48	133.21	253.61	232.23
	Interest earned ratio (times)	493.37	224.21	(78.05)	295.47	366.82
Operating performance (times)	Accounts receivable turnover (times)	14.58	12.79	10.62	11.13	13.03
	Average collection period (days)	25.03	28.53	34.36	32.79	28.01
	Inventory turnover (times)	6.80	6.16	6.00	6.51	6.59
	Accounts payable turnover (times)	8.27	7.23	7.11	7.84	9.32
	Average days in sales	53.67	59.25	60.83	56.06	55.38
	Property, plant and equipment turnover rate	4.89	4.77	4.79	5.18	5.77
	Total assets turnover (times)	0.57	0.58	0.53	0.52	0.60
Profitability (%)	Return on total assets (%)	8.07	6.70	(3.95)	6.10	7.24
	Return on stockholders' equity (%)	9.57	8.06	(4.71)	7.06	8.47
	Pre-tax income to paid-in capital ratio	91.73	67.78	(30.35)	31.15	35.23
	Profit ratio (%)	14.15	11.47	(7.53)	11.62	12.13
	Earnings per share (NT\$)	7.67	6.01	(2.38)	2.64	3.01
Cash flow (%)	Cash flow ratio (%)	63.76	41.15	22.24	38.24	22.28
	Cash flow adequacy ratio (%)	73.87	77.57	69.92	85.06	92.85
	Cash reinvestment ratio (%)	0.59	3.98	(0.92)	0.45	(0.58)
Leverage	Operating leverage	3.01	3.47	2.76	3.09	2.45
	Financial leverage	1.01	1.01	1.01	1.01	1.01

# Financial Overview

Item \ Year	Financial Analysis for the Last Five Years				
	2021	2020	2019	2018	2017
Variance analysis (changes less 20% in the last two years may be exempted):					
1. Increase in the time interest earned in 2021 mainly resulted from the increased shares in the incomes of affiliates and joint-ventures recognized with the Equity Method.					
2. The increase in each of the profitability ratios in FY2021 was mainly due to the increase in profit or loss after tax as a result of the increase in the shares of affiliates and joint ventures recognized under the equity method.					
3. Cash flow ratio increased in 2021 mainly due to higher net cash flow from operating activities in 2021.					
4. Cash reinvestment ratio decreased in 2021 mainly due to higher amounts of cash dividend paid during the year.					

## (II) Standalone Financial Statement

Year Item		Financial Analysis for the Last Five Years				
		2021	2020	2019	2018	2017
Financial structure (%)	Debt Ratio	12.08	13.17	13.70	9.61	10.38
	Ratio of long-term capital to property, plant and equipment	1102.73	1021.69	986.26	1468.19	1419.69
Solvency (%)	Current ratio	285.56	276.83	228.23	391.33	366.22
	Quick ratio	204.74	184.49	125.79	303.32	279.87
	Interest earned ratio (times)	32527.27	30713.00	(23168.45)	86578.76	94341.07
Operating performance (times)	Accounts receivable turnover (times)	16.53	15.05	14.05	15.60	17.46
	Average collection period (days)	22.08	24.25	25.98	23.40	20.90
	Inventory turnover (times)	7.65	6.82	6.58	6.96	6.94
	Accounts payable turnover (times)	8.79	7.48	7.61	8.15	9.73
	Average days in sales	47.71	53.52	55.47	52.44	52.59
	Property, plant and equipment turnover	6.76	6.56	6.79	7.19	8.35
	equipment turnover rate					
Profitability (%)	Total assets turnover (times)	0.57	0.58	0.50	0.46	0.53
	Return on total assets (%)	8.62	7.02	(4.81)	6.27	7.30
	Return on stockholders' equity (%)	9.86	8.11	(5.42)	6.97	8.18
	Pre-tax income to paid-in capital (%)	85.78	61.02	(35.99)	28.15	31.35
	Profit ratio (%)	15.15	12.16	(9.53)	13.75	13.80
Cash flow (%)	Earnings per share (NT\$)	7.67	6.01	(2.38)	2.64	3.01
	Cash flow ratio (%)	71.15	40.74	26.19	47.00	44.17
	Cash flow adequacy ratio (%)	64.70	63.85	60.23	70.80	82.94
	Cash reinvestment ratio (%)	(0.61)	3.37	(1.53)	(0.37)	(0.03)

## Financial Overview

Item \ Year		Financial Analysis for the Last Five Years				
		2021	2020	2019	2018	2017
Leverage	Operating leverage	2.96	3.72	2.50	3.09	2.80
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Variance analysis (changes less 20% in the last two years may be exempted): 1. The increase in each of the profitability ratios in FY2021 was mainly due to the increase in profit or loss after tax as a result of the increase in the shares of affiliates and joint ventures recognized under the equity method. 2. Cash flow ratio increased in 2021 mainly due to higher net cash flow from operating activities in 2021. 3. Cash reinvestment ratio decreased in 2021 mainly due to higher amounts of cash dividend paid during the year. 4. The decrease in operating leverage in FY2021 was mainly due to the increase in operating income.						



# Financial Overview

## 1. Financial structure

- (1) Debt of long fund to bank property and equipment=total liabilities/total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (total equity+ non-current liabilities) / property, plant and equipment.

## 2.Solvency

- (1) current ratio = current assets / current liabilities
- (2) quick ratio = (current assets- inventory- prepaid expenses - other current assets) / current liabilities.
- (3) Interest coverage ratio= earnings before interest and tax / Interest Expense.

## 3.Operating performance

- (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
- (2) Days sales in account receivable=365/account receivable turnover.
- (3) Inventory turnover=cost of goods sold/average inventory.
- (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) =operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation).
- (5) Average days in sales=365/Inventory turnover.
- (6) Property, plant and equipment turnover= net sales/net average property, plant and equipment.
- (7) Total assets turnover=net sales/average total assets.

## 4.Profitability

- (1) Ratio or return on total assets=[net income+interest expense\*(1-tax rate)]/average total assets
- (2) Ratio or return on equity=net income/average net equity
- (3) Net profit margin = Profit or loss after tax / Net sales.
- (4) Earnings per share= (net income - preferred stock dividend)/weighted average stock shares issued.

## 5.Cash flow

- (1) Cash flow ratio=net cash flow from operating activity/current liabilities.
- (2) Cash flow adequacy ratio= (net cash flow from operating activities within five year/ (capital expenditure +inventory increase +cash dividend) within five years.
- (3) Cash re-investment ratio= (net cash flow from operating activity -cash dividend)/ (total fixed assets+ long-term investment+ other assets+ working capital).

## 6.Leverage

- (1) Operating leverage= (net operating income-operating variable cost and expense)/operating income.
- (2) Financial leverage= operating income/(operating income-interest expense).

### III. Audit Committee's Review Report

The Company's 2021 Financial Statements and Consolidated Financial Statements were audited and finalized by CPA Ya-Ling Wong and Hsiu-Ming Hsu of Deloitte & Touche. Hence the Company submitted the Financial Statements along with the Operation Report and the earnings distribution proposal for the Audit Committee's review and were deemed to be correct. This is hereby reported in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please verify the audit and review results.

Please review

to

the 2022 Annual Meeting of Shareholders

China Motor Corporation

Chairman of Audit Committee: Chi-Ching Chen 陳吉慶

March 15, 2022

## IV. Auditor's report prepared by a certified public accountant

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
China Motor Corporation

#### **Opinion**

We have audited the accompanying consolidated financial statements of China Motor Corporation and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Financial Overview

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is described as follows:

## Revenue Recognition of Domestic Sales of Four-wheeled Vehicles

The revenue of the Group from domestic sales of four-wheeled vehicles are material to its consolidated financial statements. Since the sales of four-wheeled vehicles are strongly affected by the economy, we identified the occurrence of revenue recognition from domestic sales of four-wheeled vehicles as a key audit matter.

Our audit procedures performed in respect of revenue recognition included the followings:

- We discussed with management to obtain an understanding of the accounting policy for recognizing revenue coming from domestic sales of four-wheeled vehicles and determined that such policy was appropriate and consistently applied;
- We obtained an understanding of the internal controls on revenue recognition of domestic sales of four-wheeled vehicles, evaluated the design of the controls and tested the operating effectiveness of such controls. We also verified the authenticity of sales transaction-related documentary evidence;
- We selected samples, checked the relevant receipts and confirmed that revenue from the domestic sales of four-wheeled vehicles was recognized when the control of the goods has been transferred to the customer and the performance obligations have been satisfied.

## **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2021 and 2020 of some of the Group's investments accounted for using the equity method, namely Daimler Vans Hong Kong Ltd., Shung Ye Motors Corporation, Uni Auto Parts Manufacture Co., Ltd., Southeast-Motor Co., Ltd., the financial statements as of and for the year ended December 31, 2021 of Looplus Service Technology, Inc. and the financial statements as of and for the year ended December 31, 2020 of Xianyang NTN-Yulon Drivertrain Co., Ltd., but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for these investees in the Group's consolidated financial statements, is based solely on the reports of the other auditors. The aforementioned investments accounted for using the equity method constituted NT\$4,605,344 thousand, representing 8.4% and NT\$5,349,384 thousand, representing 9.8%, of the Group's total assets as of December 31, 2021 and 2020, respectively. The Group's share of comprehensive income of the aforementioned investments accounted for using the equity-method amounted to NT\$943,332 thousand and NT\$247,158 thousand for the years ended December 31, 2021 and 2020, respectively, which accounted for 20.6% and 6.7% of the Group's consolidated total comprehensive income, respectively.

We have also audited the parent company only financial statements of China Motor Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion with the other matter section.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China,

and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Financial Overview

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ya-Ling Wong and Shiow-Ming Shue.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2022

## 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 Overview

## V.Consolidated Financial Statements and Appendixes

### CHINA MOTOR CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,647,027	21	\$ 10,403,769	19
Financial assets at fair value through profit or loss (Notes 4 and 7)	230,239	1	1,059,429	2
Financial assets at amortized cost (Notes 4, 9, 10 and 31)	424,669	1	366,456	1
Financial assets for hedging (Notes 4 and 11)	107,712	-	120,266	-
Notes and accounts receivable, net (Notes 4 and 12)	692,831	1	914,273	2
Trade receivables from related parties (Notes 4 and 30)	1,394,827	3	1,267,478	2
Other receivables (Note 24)	100,136	-	46,490	-
Inventories (Notes 4 and 13)	3,893,940	7	3,809,653	7
Prepayments (Note 30)	770,585	1	1,728,436	3
Other current assets (Notes 4 and 25)	258,779	1	662,614	1
Total current assets	19,520,745	36	20,378,864	37
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 4 and 7)	676,756	1	672,914	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	151,421	-	178,873	-
Financial assets at amortized cost (Notes 4, 9 and 10)	546,467	1	540,716	1
Investments accounted for using the equity method (Notes 4 and 15)	24,953,438	46	23,632,945	43
Property, plant and equipment (Notes 4, 16, 24, 30 and 31)	6,215,856	11	6,527,229	12
Right-of-use assets (Notes 4, 17 and 30)	257,450	-	356,732	1
Investment properties (Notes 4, 18 and 31)	1,345,564	2	1,355,015	2
Intangible assets under development (Notes 4 and 24)	438,039	1	373,697	1
Deferred tax assets (Notes 4 and 25)	334,646	1	307,145	1
Other non-current assets (Note 24)	294,732	1	273,563	1
Total non-current assets	35,214,369	64	34,218,829	63
<b>TOTAL</b>	<u>\$ 54,735,114</u>	<u>100</u>	<u>\$ 54,597,693</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 140,000	-	\$ 215,000	-
Short-term bills payable	109,986	-	149,963	-
Notes and accounts payable	1,979,636	4	2,586,431	5
Trade payables to related parties (Note 30)	857,255	1	907,237	2
Other payables (Notes 4 and 20)	2,594,738	5	2,641,821	5
Current tax liabilities (Notes 4 and 25)	423,104	1	284,692	-
Lease liabilities (Notes 4, 17 and 30)	62,450	-	87,196	-
Current portion of long-term borrowings (Note 19)	-	-	37,500	-
Other current liabilities (Notes 4, 7, 11, 30 and 32)	598,020	1	362,403	1
Total current liabilities	6,765,189	12	7,272,243	13
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 19)	68,750	-	56,250	-
Deferred tax liabilities (Notes 4 and 25)	659,641	1	578,310	1
Lease liabilities (Notes 4, 17 and 30)	198,986	1	277,908	1
Net defined benefit liabilities (Notes 4 and 21)	670,214	1	651,430	1
Other non-current liabilities	47,306	-	54,908	-
Total non-current liabilities	1,644,897	3	1,618,806	3
Total liabilities	8,410,086	15	8,891,049	16
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 22)</b>				
Ordinary shares	5,536,203	10	5,536,203	10
Capital surplus	6,421,515	12	6,411,778	12
Retained earnings				
Legal reserve	9,581,001	17	9,257,157	17
Special reserve	1,028,359	2	1,028,359	2
Unappropriated earnings	20,582,748	38	20,544,970	37
Total retained earnings	31,192,108	57	30,830,486	56
Other equity				
Exchange differences on translating the financial statements of foreign operations	(826,741)	(2)	(926,661)	(2)
Unrealized gain on investments in financial assets at fair value through other comprehensive income	377,436	1	264,666	1
Gain (loss) on hedging instruments (Note 11)	(28,391)	-	6,918	-
Total other equity	(477,696)	(1)	(655,077)	(1)
Total equity attributable to owners of the Corporation	42,672,130	78	42,123,390	77
<b>NON-CONTROLLING INTERESTS (Notes 14 and 22)</b>	3,652,898	7	3,583,254	7
Total equity	46,325,028	85	45,706,644	84
<b>TOTAL</b>	<u>\$ 54,735,114</u>	<u>100</u>	<u>\$ 54,597,693</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)				
Net sales	\$ 29,905,646	96	\$ 29,568,987	96
Other operating revenue	<u>1,219,753</u>	<u>4</u>	<u>1,305,613</u>	<u>4</u>
Total operating revenue	<u>31,125,399</u>	<u>100</u>	<u>30,874,600</u>	<u>100</u>
OPERATING COSTS (Notes 13, 24 and 30)				
Cost of goods sold	25,264,128	81	25,187,401	82
Other operating costs	<u>920,820</u>	<u>3</u>	<u>781,552</u>	<u>2</u>
Total operating costs	<u>26,184,948</u>	<u>84</u>	<u>25,968,953</u>	<u>84</u>
GROSS PROFIT	4,940,451	16	4,905,647	16
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(1,851)</u>	<u>-</u>	<u>1,432</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,938,600</u>	<u>16</u>	<u>4,907,079</u>	<u>16</u>
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	592,029	2	636,315	2
General and administrative expenses	879,588	3	833,810	3
Research and development expenses	<u>1,427,381</u>	<u>5</u>	<u>1,660,284</u>	<u>5</u>
Total operating expenses	<u>2,898,998</u>	<u>10</u>	<u>3,130,409</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,039,602</u>	<u>6</u>	<u>1,776,670</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures (Notes 4 and 15)	3,020,705	10	1,719,635	5
Interest income	99,285	-	95,493	-
Dividend income (Note 8)	44,407	-	15,240	-
Other income (Note 30)	138,385	-	117,571	-
Expected credit gain (loss) (Notes 10 and 24)	47,171	-	(54,206)	-
Interest expense (Note 30)	(10,314)	-	(16,811)	-
Other expense	(23,732)	-	(44,358)	-
Gain (loss) on disposal of investments (Notes 4, 15, 24 and 27)	(116,764)	-	215,365	1
Net foreign exchange gain (loss)	(10,043)	-	25,233	-

(Continued)



# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Gain (loss) on financial instruments at fair value through profit or loss	\$ (3,303)	-	\$ 4,359	-
Impairment loss (Notes 4, 16 and 24)	<u>(147,123)</u>	<u>-</u>	<u>(101,725)</u>	<u>-</u>
Total non-operating income and expenses	<u>3,038,674</u>	<u>10</u>	<u>1,975,796</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	5,078,276	16	3,752,466	12
INCOME TAX EXPENSE (Notes 4 and 25)	<u>674,792</u>	<u>2</u>	<u>211,918</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>4,403,484</u>	<u>14</u>	<u>3,540,548</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(49,947)	-	(17,775)	-
Unrealized loss on investments in equity instruments designated as fair value through other comprehensive income (Note 22)	(9,084)	-	(28,297)	-
Gain (loss) on hedging instruments (Notes 11 and 22)	(39,598)	-	19,378	-
Share of other comprehensive income of associates accounted for using the equity method (Notes 15 and 22)	178,298	1	45,318	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	23,121	-	(321)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	(5,420)	-	35,426	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Notes 15 and 22)	<u>89,323</u>	<u>-</u>	<u>75,320</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>186,693</u>	<u>1</u>	<u>129,049</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,590,177</u>	<u>15</u>	<u>\$ 3,669,597</u>	<u>12</u>

(Continued)

# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,181,835	13	\$ 3,277,320	11
Non-controlling interests	<u>221,649</u>	<u>1</u>	<u>263,228</u>	<u>1</u>
	<u>\$ 4,403,484</u>	<u>14</u>	<u>\$ 3,540,548</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 4,383,360	14	\$ 3,382,531	11
Non-controlling interests	<u>206,817</u>	<u>1</u>	<u>287,066</u>	<u>1</u>
	<u>\$ 4,590,177</u>	<u>15</u>	<u>\$ 3,669,597</u>	<u>12</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 7.67</u>		<u>\$ 6.01</u>	
Diluted	<u>\$ 7.66</u>		<u>\$ 6.00</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation										
	Ordinary Shares			Other Equity							
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Retained Earnings	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Equity Directly Associated with Non-current Assets Held for Sale	
BALANCE AT JANUARY 1, 2020	553,620	\$ 5,536,203	\$ 6,414,118	\$ 9,257,157	\$ 1,029,654	\$ 17,306,526	\$ (990,653)	\$ 216,562	\$ (19,968)	\$ (7,538)	\$ 42,164,939
Reversal of special reserve	-	-	-	-	(1,295)	1,295	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(2,340)	-	-	(7,532)	-	-	-	-	(9,872)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(126,690)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,277,320	-	-	-	-	3,540,548
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(27,221)	63,992	42,686	18,216	7,538	129,049
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	3,250,099	63,992	42,686	18,216	7,538	3,669,597
Disposal of the investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	(5,418)	-	5,418	-	-	-
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	-	8,670	-	8,670
BALANCE AT DECEMBER 31, 2020	553,620	5,536,203	6,411,778	9,257,157	1,028,359	20,544,970	(926,661)	264,666	6,918	-	45,706,644
Appropriation of the 2020 earnings	-	-	-	323,844	-	(323,844)	-	-	-	-	-
Legal reserve	-	-	-	-	-	(3,875,342)	-	-	-	-	(3,875,342)
Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	9,737	-	-	10,104	-	-	-	-	19,841
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(137,173)
Net profit for the year ended December 31, 2021	-	-	-	-	-	4,181,835	-	-	-	-	4,403,484
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(28,502)	99,920	186,297	(56,190)	-	186,693
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	4,153,333	99,920	186,297	(56,190)	-	4,590,177
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	43,109	-	(43,109)	-	-	-
Disposal of the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	30,418	-	(30,418)	-	-	-
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	-	20,881	-	20,881
BALANCE AT DECEMBER 31, 2021	553,620	\$ 5,536,203	\$ 6,421,515	\$ 9,581,001	\$ 1,028,359	\$ 20,589,748	\$ (826,741)	\$ 377,436	\$ (28,391)	\$ -	\$ 46,325,028

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated March 30, 2022)

## Financial Overview

# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 5,078,276	\$ 3,752,466
Adjustments for		
Depreciation expense	850,745	905,853
Amortization expense	88,886	122,164
Expected credit loss (gain) recognized	(49,158)	46,238
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	3,303	(4,359)
Interest expense	10,314	16,811
Interest income	(99,285)	(95,493)
Dividend income	(44,407)	(15,240)
Share of profit of associates and joint ventures accounted for using the equity method	(3,020,705)	(1,719,635)
Net loss on disposal of property, plant and equipment	5,201	2,095
Loss (gain) on disposal of investment	116,764	(215,365)
Impairment loss of non-financial assets	224,273	146,823
Unrealized (realized) gain on transactions with associates	1,851	(1,432)
Unrealized gain on foreign currency exchange	(26,033)	(36,955)
Gain on lease modifications	(8,833)	(1,835)
Losses on recognition of provisions	65,302	-
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	929,071	(810,374)
Notes and accounts receivable	223,458	284,551
Trade receivables from related parties	(127,443)	178,912
Other receivables	(128,370)	113,103
Inventories	(135,635)	774,328
Prepayments	975,203	(135,040)
Other current assets	401,881	9,247
Notes and accounts payable	(605,933)	(116,743)
Trade payables to related parties	(48,512)	(78,166)
Other payables	(19,373)	85,362
Other current liabilities	165,495	135,073
Net defined benefit liabilities	(31,163)	(101,745)
Cash generated from operations	4,795,173	3,240,644
Income tax paid	(481,589)	(249,305)
Net cash generated from operating activities	4,313,584	2,991,339
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of financial assets at fair value through other comprehensive income	18,368	-
Proceeds from refund of shares of financial assets at fair value through other comprehensive income	-	404
Acquisition of financial assets at amortized cost	(1,930,926)	(1,751,651)

(Continued)

# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from repayment of principal of financial assets at amortized cost	\$ 1,858,298	\$ 1,889,206
Acquisition of investments accounted for using the equity method	(33,500)	(7,136)
Disposal of subsidiaries	-	(2,196)
Acquisition of property, plant and equipment	(677,276)	(795,507)
Proceeds from disposal of property, plant and equipment	39,185	23,822
Acquisition of intangible assets	(109,106)	(58,887)
Acquisition of investment properties	(2,199)	-
Increase in other non-current assets	(5,358)	(24,328)
Interest received	100,848	98,039
Dividends received	<u>1,919,939</u>	<u>1,852,911</u>
Net cash generated from investing activities	<u>1,178,273</u>	<u>1,224,677</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(75,000)	(400,000)
Decrease in short-term bills payable	(39,977)	(33,976)
Proceeds from long-term borrowings	-	43,750
Repayment of long-term borrowings	(25,000)	-
Repayment of the principal portion of lease liabilities	(83,049)	(93,450)
Increase (decrease) in other non-current liabilities	(7,540)	32,565
Cash dividends paid	(3,875,342)	-
Interest paid	(10,286)	(17,034)
Non-controlling interests	<u>(137,173)</u>	<u>(126,690)</u>
Net cash used in financing activities	<u>(4,253,367)</u>	<u>(594,835)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,894)</u>	<u>17,939</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,234,596	3,639,120
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,519,610</u>	<u>6,880,490</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,754,206</u>	<u>\$ 10,519,610</u>

(Continued)

# Financial Overview

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2021 and 2020:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 11,647,027	\$ 10,403,769
Cash and cash equivalents included in financial assets for hedging	<u>107,179</u>	<u>115,841</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 11,754,206</u>	<u>\$ 10,519,610</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

(Concluded)

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 1. GENERAL INFORMATION

China Motor Corporation (the “Corporation”) is principally engaged in the manufacture and sale of automobiles and its related parts and components, and the Corporation has been listed on the Taiwan Stock Exchange.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as the “Group”) were approved by the Corporation’s board of directors on March 15, 2022.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) did not have any material impact on the Group’s accounting policies.
- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

# Financial Overview

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of the aforementioned standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the aforementioned standards and interpretations 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

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs issued into effect by the FSC.



## 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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, 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 an 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 an 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 after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 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 for which the Group 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 the 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.

# Financial Overview

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 interests of the Group 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 had the Group directly disposed of the related assets or liabilities.

## 2) Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	Combined Shareholding Ratio (%)		Note
			December 31		
			2021	2020	
China-Motor Corporation (parent)	Kian Shen Corporation (“Kian Shen”)	Production of frame of heavy-duty car and mold	43.87	43.87	a)
	Hwa Wei Holdings Corporation Ltd. (“Hwa Wei”)	Overseas investment in production and service industries	100.00	100.00	
	China Engine Corporation (“China Engine”)	Manufacture of automobile engine and parts	52.10	52.10	
	Sino Diamond Motors Corporation (“Sino Diamond Motors”)	Sales and providing after-sales service of vehicle	100.00	100.00	
	Alliance Investment & Management Co., Ltd. (“Alliance Investment & Management”)	Investment	100.00	100.00	
	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	j)
	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 in 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	-	-	e)
	Advance Power Investment Co., Ltd. (“Advance Power Investment”)	Investment and sales	-	52.10	g)
Sino Diamond Motors	Hwa-Yu Corporation Ltd. (“Hwa-Yu”)	Overseas investment in production and service industries	100.00	100.00	
	Brilliant Insight International Consultancy Service Co., Ltd. (“Brilliant Insight International”)	Consulting and servicing business	100.00	100.00	
	Greentrans Corporation (“Greentrans”)	Sales of motorcycle, bicycle and parts	100.00	-	i)
	Ling Wei Motor Co., Ltd. (“Ling Wei”)	Sales of second-hand vehicle	100.00	-	i)
Alliance Investment & Management	Greentrans Investment Co., Ltd. (“Greentrans Investment”)	Investment	100.00	100.00	
Hwa Chung Motors	Greentrans Corporation (“Greentrans”)	Sales of motorcycle, bicycle and parts	-	100.00	i)
COC	Ling Wei Motor Co., Ltd. (“Ling Wei”)	Sales of second-hand vehicle	-	100.00	i)
	Y. M. Hi-Tech Industry Ltd. (“Y. M. Hi-Tech”)	Steel cutting	42.30	42.30	b)
Kian Shen Investment	Shye Shinn Corporation (“Shye Shinn”)	Investment	-	-	b) and d)
	Kian Shen Investment Hong Kong Co., Limited (KSIHK)	Investment	43.87	43.87	a)
Hwa-Yu	Hwa-Lin Investments Ltd. (“Hwa-Lin”)	Overseas investment in production and service industries	100.00	100.00	
	Fujian Rui Hua Consulting Co., Ltd. (“Fujian Rui Hua”)	Consulting and servicing business	100.00	100.00	

(Continued)

# Financial Overview

Investor	Investee	Main Business	Combined Shareholding Ratio (%)		Note
			December 31		
			2021	2020	
Greentrans Investment	Jiangsu Greentrans Automotive Parts Co., Ltd. (“Jiangsu Greentrans”)	Production and sales of parts of electronic motorcycle	100.00	100.00	
Hwa-Lin	Dongguan Huayi Motor Maintenance Co., Ltd. (“Dongguan Huayi”)	Sales and maintenance of vehicle and parts	100.00	100.00	f)
	Tianjin Hwarui Maintenance Co., Ltd. (“Tianjin Hwarui”)	Sales and maintenance of vehicle and parts	100.00	100.00	h)
	Sichuan Huafeng Hanwei Cars Service and Maintenance Co., Ltd. (“Sichuan Huafeng Hanwei”)	Sales and maintenance of vehicle and parts	-	-	c)
	Guangzhou Huayou Motor Maintenance Co., Ltd. (“Guangzhou Huayou Motor Maintenance”)	Sales and maintenance of vehicle and parts	-	-	c)
Dongguan Huayi	Dongguan Huashun Motor Sales Co., Ltd. (“Dongguan Huashun”)	Sales and maintenance of vehicle and parts	100.00	100.00	f)
Tianjin Hwarui	Tianjin Hwahong Sales Co., Ltd. (“Tianjin Hwahong”)	Sales of vehicle and parts	-	100.00	h)
Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales Co., Ltd. (“Guangzhou Huayou Motor Sales”)	Sales of vehicle and parts	-	-	c)

(Concluded)

- The Group held 43.87% equity interest in Kian Shen. Kian Shen is a listed company and 56.13% of its shares were held by numerous shareholders unrelated to the Group. Owing to the Group's substantial influence on Kian Shen, an absolute number of voting rights and the relative size of other shareholdings, Kian Shen was deemed a subsidiary.
- The Group held 49.76% equity in COC. However, since the Corporation controls more than half of the board members and holds relative majority of shares, COC was considered a subsidiary.
- In November 2018, Sichuan Huafeng Hanwei, Guangzhou Huayou Motor Sales and Guangzhou Huayou Motor Maintenance resolved to dissolve their respective companies and the annulment was completed in February, June and December 2020, respectively.
- In May 2020, the board of directors of COC resolved to dissolve Shye Shinn. The annulment of Shye Shinn had been completed in December 2020.
- The Group's board of directors approved to fully dispose of its interest held in its subsidiary, Advance Power Machinery, to Yulon on July 16, 2020. The disposal was completed on July 17, 2020, the date on which the control of Advance Power Machinery was transferred to the acquirer, refer to Note 27.
- In December 2020, Dongguan Huayi and Dongguan Huashun resolved to dissolve their respective companies. The annulment of Dongguan Huashun had been completed in February 2022. As of December 31, 2021, the liquidation of Dongguan Huayi had not been completed.
- The Group's board of directors resolved to dissolve Advance Power Investment on December 10, 2020 and the annulment was completed in December 2021.
- In July 2021, Tianjin Hwarui and Tianjin Hwahong resolved to dissolve their respective companies. The annulment of Tianjin Hwahong had been completed in December 2021. As of December 31, 2021, the liquidation of Tianjin Hwarui had not been completed.
- In November 2021, Hwa Chung Motors fully disposed of its interest held in its subsidiaries, Greentrans and Ling Wei, to Sino Diamond Motors, and the shareholding ratio of Sino Diamond Motors in the aforementioned companies was changed due to the reorganization of entities under common control.
- In December 2021, Hwa Chung Motors resolved to dissolve its company. As of December 31, 2021, the liquidation had not been completed.

# Financial Overview

For the relationship between the Corporation and its controlled entities as of December 31, 2021, refer to Table 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 they are 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 interests 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 at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) 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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Corporation's foreign operations (including subsidiaries, associates and joint ventures in other countries) that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

## Financial Overview

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of joint control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 Group 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 merchandise, raw materials, supplies, finished goods and work in progress 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. The 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 which is neither a subsidiary nor an interest in a joint venture. A 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.

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 the 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 share 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 and 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 an associate and a 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 capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the 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 had the investee 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 using the equity method is insufficient, the shortage is debited to retained earnings.

# Financial Overview

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 loss, if any. 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 is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is 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 the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and 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 joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate 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 the Group 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 joint venture that are not related to the Group.

## i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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 their intended use.

Depreciation of property, plant and equipment, except for tooling (included in machinery) which is amortized using the production unit method, is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the 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 rental and/or for capital appreciation.

Investment properties are initially measured 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

Expenditures on research activities are recognized as expenses in the period in which they are 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 such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets 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 is recognized in profit or loss.

### l. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties 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 assets may be impaired.

The 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 corresponding 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 expense or depreciation expense) 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.

# Financial Overview

## m. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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 categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily designated as at FVTPL, and include investments in equity instruments that do not meet the criteria of financial assets at amortized cost and financial assets at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

##### ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt instruments, notes receivable, trade receivables (including related parties), other receivables, other financial assets (included in other current assets) and guarantee deposits (included in other non-current assets) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and



- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default; or
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset has reached beyond the expiration date of contract unless the Group has reasonable and corroborative information to support a more lagged default criterion.

# Financial Overview

The impairment loss of all financial assets which are held by the Group is recognized in profit or loss by a reduction in their carrying amounts through a loss 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 29.

### b) Derecognized financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 3) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which 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 instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

### n. Hedge accounting

The Group designates certain hedging instruments as cash flow hedges.

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are 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 related hedged item in the same period in which the hedged item affects profit or loss. If the hedge of a forecasted 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 included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period when the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are 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.

#### 1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

#### 2) Warranties

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

### p. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

#### 1) Revenue from sale of goods

Revenue from sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has control over the goods and performance obligations are satisfied. Accounts receivable are recognized concurrently.

# Financial Overview

## 2) Revenue from rendering of services

Revenue from rendering of services is recognized when services are rendered.

## q. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### 1) The Group as lessor

All leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as costs on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

## Financial Overview

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease substantially the same as the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

### r. Government grants

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

Government grants related to income are recognized as a reduction of the related costs or in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

### s. 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 expenses when employees have rendered services 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 liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

# Financial Overview

## t. Taxation

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

### 1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 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 and unused loss carryforwards to the extent that it is probable that taxable profit 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 recognized only to the extent that it is probable that there will be sufficient taxable profit 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 assets 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 liabilities are settled or the assets are 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 taxes

Current and deferred taxes 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 taxes are also recognized in other comprehensive income.

# Financial Overview

## 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 on 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 Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash		
Cash on hand	\$ 1,115	\$ 1,338
Checking accounts and demand deposits	<u>2,696,964</u>	<u>3,473,411</u>
	<u>2,698,079</u>	<u>3,474,749</u>
Cash equivalents		
Time deposits	8,165,908	6,558,227
Repurchase agreements	<u>783,040</u>	<u>370,793</u>
	<u>8,948,948</u>	<u>6,929,020</u>
	<u>\$ 11,647,027</u>	<u>\$ 10,403,769</u>

Cash equivalents are held for the purpose of meeting short-term cash commitments and consist of highly liquid time deposits and repurchase agreements 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 in banks and repurchase agreements at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Checking accounts and demand deposits	0.00%-1.00%	0.00%-1.30%
Time deposits	0.23%-2.45%	0.34%-2.85%
Repurchase agreements	0.35%-0.43%	0.27%-0.28%



# Financial Overview

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

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 229,626	\$ 1,056,288
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	613	3,141
	<u>\$ 230,239</u>	<u>\$ 1,059,429</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	\$ 676,756	\$ 672,914
<u>Financial liabilities (included in other current liabilities)</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ 976	\$ -

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

### December 31, 2021

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2022.02.16-2022.03.28	JPY350,000/NTD84,860
Buy	USD/NTD	2022.01.06-2022.02.14	USD8,200/NTD226,714
Sell	RMB/USD	2022.01.06-2022.02.14	RMB42,813/USD6,700

### December 31, 2020

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2021.02.25-2021.03.26	JPY300,000/NTD79,900
Sell	RMB/USD	2021.01.04-2021.01.29	RMB78,635/USD12,000

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



# Financial Overview

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares	\$ 15,798	\$ 30,370
Unlisted shares	<u>24,954</u>	<u>24,145</u>
	40,752	54,515
Foreign investments		
Unlisted shares	<u>110,669</u>	<u>124,358</u>
	<u>\$ 151,421</u>	<u>\$ 178,873</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Dividends of \$577 thousand and \$710 thousand were recognized during 2021 and 2020, respectively. Those dividends are all related to investments held at the end of the reporting period.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Pledged deposits (Note 31)	\$ 240,318	\$ 180,486
Principal guaranteed notes	176,138	136,540
Segregated foreign exchange deposit account for offshore funds	<u>8,724</u>	<u>50,017</u>
	425,180	367,043
Less: Allowance for impairment loss	<u>(511)</u>	<u>(587)</u>
	<u>\$ 424,669</u>	<u>\$ 366,456</u>
<u>Non-current</u>		
Segregated foreign exchange deposit account for offshore funds	\$ 340,390	\$ 434,841
Bonds	200,026	100,000
Preference shares	<u>9,900</u>	<u>9,900</u>
	550,316	544,741
Less: Allowance for impairment loss	<u>(3,849)</u>	<u>(4,025)</u>
	<u>\$ 546,467</u>	<u>\$ 540,716</u>

# Financial Overview

- a. The rates of pledged deposits ranged from 0.65%-0.82% and 0.65%-1.03% per annum as of December 31, 2021 and 2020, respectively.
- b. The coupon rates of principal guaranteed notes ranged from 0.55%-2.60% and 0.52%-2.50% per annum as of December 31, 2021 and 2020, respectively.
- c. The National Taxation Bureau, Ministry of Finance had approved the repatriation of funds in accordance with “the Management, Utilization, and Taxation of Repatriated Offshore Funds Act” from February 2020. The funds after tax were deposited into the segregated foreign exchange deposit account (including time deposits and demand deposits). The deposit was restricted under the Act, except that a portion of the funds could be withdrawn and freely utilized or engaged in financial investments or substantive investments. The funds could be withdrawn over a period of three years and five years from the date of depositing them into the segregated foreign exchange deposit account. The rates of offshore funds ranged from 0.001%-2.50% and 0.10%-1.50% per annum as of December 31, 2021 and 2020, respectively.
- d. The coupon rates of bonds ranged from 0.47%-0.86% and 0.86% per annum as of December 31, 2021 and 2020, respectively.
- e. The coupon rate of the preference shares was 1.50% per annum as of December 31, 2021 and 2020, respectively.
- f. Refer to Note 10 for information relating to their credit risk management and impairment.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as financial assets at amortized cost.

	December 31	
	2021	2020
Gross carrying amount	\$ 975,496	\$ 911,784
Less: Allowance for impairment loss	<u>(4,360)</u>	<u>(4,612)</u>
Amortized cost	<u>\$ 971,136</u>	<u>\$ 907,172</u>

The Group invests only in debt instruments that have higher credit ratings and low credit risk after impairment assessment. The credit ratings information is supplied by independent rating agencies. The Group’s exposures and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other publicly available information of debtors and makes an assessment whether there has been a significant increase in the credit risk since initial recognition.

The Group considers the historical probability of default and loss given default of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Group’s current credit risk grading mechanism is as follows:

Credit Rating	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
No rating	The preference shares and bonds do not have credit rating	Lifetime ECLs - not credit-impaired

## Financial Overview

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2021

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.00%-0.29%	\$ 965,596
No rating	35.6495%	9,900

December 31, 2020

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.00%-0.43%	\$ 901,884
No rating	39.9496%	9,900

The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

	<u>Credit Rating</u>	
	Performing (12-month ECLs)	No Rating (Lifetime ECLs - Not Credit- impaired)
Balance at January 1, 2021	\$ 657	\$ 3,955
Financial assets purchased (a)	2,684	-
Derecognition (b)	(2,532)	-
Change in exchange rates or others	<u>22</u>	<u>(426)</u>
Balance at December 31, 2021	<u>\$ 831</u>	<u>\$ 3,529</u>
Balance at January 1, 2020	\$ 1,918	\$ 32,952
Financial assets purchased (a)	4,628	3,955
Derecognition (b)	(5,916)	(32,952)
Change in exchange rates or others	<u>27</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 657</u>	<u>\$ 3,955</u>

- a. The new investment in principal guaranteed notes of \$846,116 thousand and bonds of \$100,029 thousand, respectively during the year ended December 31, 2021, and correspondingly increased the loss allowance for investments rated as performing of \$2,684 thousand; the new investment in principal guaranteed notes in the amount of \$1,076,407 thousand, and preference shares in amount of \$9,900 thousand during the year ended December 31, 2020, respectively, and correspondingly increased the loss allowance for investments rated as performing by \$4,628 thousand and lifetime ECLs by \$3,955 thousand.

# Financial Overview

- b. The investments in principal guaranteed notes of \$806,777 thousand expired and were redeemed during the year ended December 31, 2021, with consequential reductions in the loss allowance for investments rated as performing of \$2,532 thousand; and the investments in principal guaranteed notes of \$947,583 thousand, bonds of \$750,224 thousand and preference shares of 9,900 thousand, expired and were redeemed during the year ended December 31, 2020, with consequential reductions in the loss allowance for investments rated as performing of \$5,916 thousand and lifetime ECLs of \$32,952 thousand.

## 11. FINANCIAL INSTRUMENTS FOR HEDGING

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Cash flow hedges - spot rate	\$ 107,179	\$ 115,841
Cash flow hedges - foreign exchange forward contracts	<u>533</u>	<u>4,425</u>
	<u>\$ 107,712</u>	<u>\$ 120,266</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Cash flow hedges - foreign exchange forward contracts	<u>\$ 3,971</u>	<u>\$ 79</u>

The Group's hedging strategy is to enter into foreign exchange forward contracts and to buy foreign currency banknote at the spot rate to avoid exchange rate exposure from its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency denominated purchases. Those transactions are designated as cash flow hedges. Basis adjustments are made to the initial carrying amounts non-financial hedged items when the anticipated purchases take place.

For the hedges of highly probable forecasted purchases, the critical terms (i.e. the notional amount, period and subject) of the foreign exchange forward contracts are corresponded to their hedged items. The Group performs a qualitative assessment and expects that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will be systematically changed in the opposite direction in respond to movements in the underlying exchange rate.

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the foreign exchange forward contracts and foreign currency banknote, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness is expected to emerge from these hedging relationships. During the years ended December 31, 2021 and 2020, hedging instruments at fair value and transferred to initial carrying amount of hedged items are detailed in Note 22(e).

# Financial Overview

The following tables summarize the information relating to the hedges of foreign currency risk.

## December 31, 2021

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liabilities	
Cash flow hedge								
Forecast purchases - spot rate	JPY/NTD	JPY445,651/NTD111,030	2022.02.17-2022.03.23	0.2483-0.2508	Financial assets for hedging	\$ 107,179	\$ -	\$ (3,081)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD3,000/NTD82,788	2022.01.06-2022.02.11	27.5520-27.6400 (USD1:NTD)	Financial assets for hedging	410	-	328
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB12,780/USD2,000	2022.01.06	6.3901 (USD1:RMB)	Financial assets for hedging	123	-	98
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY1,010,000/NTD246,239	2022.01.14-2022.06.27	0.2424-0.2481	Other current liabilities	-	(3,787)	(3,030)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD6,500/NTD179,635	2022.01.06-2022.02.14	27.6100-27.6950 (USD1:NTD)	Other current liabilities	-	(164)	(131)
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB28,764/USD4,500	2022.02.14	6.3919 (USD1:RMB)	Other current liabilities	-	(20)	(16)
						<u>\$ 107,712</u>	<u>\$ (3,971)</u>	<u>\$ (5,832)</u>

Note: JPY1:NTD, unless stated otherwise.

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	<u>\$ 5,832</u>	<u>\$ (5,832)</u>

## December 31, 2020

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liabilities	
Cash flow hedge								
Forecast purchases - spot rate	JPY/NTD	JPY419,258/NTD113,979	2021.02.15-2021.03.14	0.2700-0.2794	Financial assets for hedging	\$ 115,841	\$ -	\$ 1,489
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY1,880,000/NTD503,630	2021.01.15-2021.03.22	0.2665-0.2692	Financial assets for hedging	4,425	-	3,540
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY225,000/NTD60,975	2021.01.27	0.2710	Other current liabilities	-	(79)	(63)
						<u>\$ 120,266</u>	<u>\$ (79)</u>	<u>\$ 4,966</u>

Note: JPY1:NTD, unless stated otherwise.

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	<u>\$ (4,966)</u>	<u>\$ 4,966</u>

# Financial Overview

Comprehensive Income Impact	Hedging Gains (Losses) Recognized in OCI	
	For the Year Ended December 31	
	2021	2020
Cash flow hedges		
Forecast purchases	\$ (39,598)	\$ 19,378

The Group had signed component purchasing contracts with the suppliers in Japan and China, and also signed foreign exchange forward contracts with the banks and purchased foreign currency banknotes at the spot rate to avoid exchange rate risk associated with its forecasted purchases. When the forecasted purchases take place, the amount originally deferred and recognized in equity will be reclassified to the carrying amount of the materials purchased.

## 12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
At amortized cost		
Notes and accounts receivable	\$ 699,194	\$ 922,742
Less: Allowance for impairment loss	<u>(6,363)</u>	<u>(8,469)</u>
	<u>\$ 692,831</u>	<u>\$ 914,273</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer and the customer's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The aging of receivables was as follows:

	December 31	
	2021	2020
0 days	\$ 691,929	\$ 917,086
1-60 days	7,181	3,260
61-90 days	1	433
More than 90 days	<u>83</u>	<u>1,963</u>
Gross carrying amount	699,194	922,742
Loss allowance (Lifetime ECLs)	<u>(6,363)</u>	<u>(8,469)</u>
Amortized cost	<u>\$ 692,831</u>	<u>\$ 914,273</u>

## Financial Overview

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 8,469	\$ 16,348
Less: Net reversal of loss allowance	(1,987)	(7,968)
Foreign exchange gains and losses	<u>(119)</u>	<u>89</u>
Balance at December 31	<u>\$ 6,363</u>	<u>\$ 8,469</u>

### 13. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Merchandise	\$ 81,031	\$ 128,537
Finished goods	1,234,947	1,240,435
Work in progress	276,244	279,501
Raw materials	2,237,392	2,081,440
Materials in transit	<u>64,326</u>	<u>79,740</u>
	<u>\$ 3,893,940</u>	<u>\$ 3,809,653</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$25,264,128 thousand and \$25,187,401 thousand, respectively. The costs of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$77,150 thousand and \$45,098 thousand, respectively.

### 14. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The remaining 56.13% interest in Kian Shen is dispersed and held by shareholders unrelated to the Group as of December 31, 2021 and 2020.

Refer to Tables 6 and 7 for the information on the place of incorporation and principal place of business of Kian Shen and its subsidiaries.

The summarized financial information below represents amounts before intragroup eliminations.

#### Kian Shen and its subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,303,879	\$ 1,242,835
Non-current assets	4,020,005	4,041,897
Current liabilities	(486,118)	(573,234)
Non-current liabilities	<u>(398,845)</u>	<u>(387,522)</u>
Equity	<u>\$ 4,438,921</u>	<u>\$ 4,323,976</u>

(Continued)

# Financial Overview

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Equity attributable to:		
Owners of Kian Shen	\$ 1,947,355	\$ 1,896,928
Non-controlling interests of Kian Shen	<u>2,491,566</u>	<u>2,427,048</u>
	<u>\$ 4,438,921</u>	<u>\$ 4,323,976</u>
		(Concluded)
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	<u>\$ 1,275,608</u>	<u>\$ 1,052,991</u>
Profit for the year	\$ 306,767	\$ 324,045
Other comprehensive income (loss) for the year	<u>(30,342)</u>	<u>37,995</u>
Total comprehensive income for the year	<u>\$ 276,425</u>	<u>\$ 362,040</u>
Profit attributable to:		
Owners of Kian Shen	\$ 134,579	\$ 142,159
Non-controlling interests of Kian Shen	<u>172,188</u>	<u>181,886</u>
	<u>\$ 306,767</u>	<u>\$ 324,045</u>
Total comprehensive income attributable to:		
Owners of Kian Shen	\$ 121,268	\$ 158,827
Non-controlling interests of Kian Shen	<u>155,157</u>	<u>203,213</u>
	<u>\$ 276,425</u>	<u>\$ 362,040</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (1,032)	\$ (122,962)
Investing activities	617,090	593,505
Financing activities	(247,407)	(134,098)
Foreign exchange adjustments	<u>101</u>	<u>8,915</u>
Net cash inflow	<u>\$ 368,752</u>	<u>\$ 345,360</u>
Dividends paid to non-controlling interests	<u>\$ 90,639</u>	<u>\$ 82,399</u>

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in associates	\$ 17,545,961	\$ 16,335,980
Investments in joint ventures	<u>7,407,477</u>	<u>7,296,965</u>
	<u>\$ 24,953,438</u>	<u>\$ 23,632,945</u>



## Financial Overview

### a. Investments in associates

Associate	December 31	
	2021	2020
Material associates		
Yulon	\$ 8,188,389	\$ 7,561,633
Associates that are not individually material	<u>9,357,572</u>	<u>8,774,347</u>
	<u>\$ 17,545,961</u>	<u>\$ 16,335,980</u>

#### 1) Material associates

The Group's proportion of shareholding and voting rights in Yulon was 16.80% on December 31, 2021 and 2020, respectively.

The Group exercises significant influence over Yulon and applies the equity method of accounting because the Group had a representation on the board of directors of Yulon even though the Group holds less than 20% interest in Yulon.

The share of profit or loss and other comprehensive income of the associates accounted for using the equity method were recognized based on the associates' financial statements which have been audited for the same years.

Refer to Table 6 for the nature of activities, principal places of business and countries of incorporation of the aforementioned associates.

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

Name of Associate	December 31	
	2021	2020
Yulon	<u>\$ 6,985,335</u>	<u>\$ 7,818,908</u>

The summarized financial information below represents amounts shown in the associates' consolidated financial statements prepared in accordance with IFRSs, and reflects the adjustments made when the equity method of accounting was applied.

#### Yulon

	December 31	
	2021	2020
Current assets	\$ 234,854,492	\$ 215,186,668
Non-current assets	89,008,287	86,136,078
Current liabilities	(226,995,138)	(201,009,483)
Non-current liabilities	<u>(26,168,118)</u>	<u>(35,437,943)</u>
Equity	70,699,523	64,875,320
Non-controlling interests	<u>(18,047,660)</u>	<u>(16,136,852)</u>
	<u>\$ 52,651,863</u>	<u>\$ 48,738,468</u>

Proportion of the Group's ownership	16.80%	16.80%
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(Continued)

# Financial Overview

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Equity attributable to the Group	\$ 8,845,513	\$ 8,188,063
Cross-shareholdings	<u>(657,124)</u>	<u>(626,430)</u>
Carrying amount	<u>\$ 8,188,389</u>	<u>\$ 7,561,633</u> (Concluded)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<u>\$ 78,047,772</u>	<u>\$ 82,597,514</u>
Net profit for the year	\$ 7,742,315	\$ 4,839,562
Other comprehensive income	<u>149,839</u>	<u>240,989</u>
Total comprehensive income for the year	<u>\$ 7,892,154</u>	<u>\$ 5,080,551</u>
Dividends received from Yulon	<u>\$ 166,714</u>	<u>\$ -</u>

## 2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Group's share of:		
Net profit for the year	\$ 1,014,030	\$ 818,085
Other comprehensive income	<u>124,690</u>	<u>25,670</u>
Total comprehensive income for the year	<u>\$ 1,138,720</u>	<u>\$ 843,755</u>

All the associates are accounted for using the equity method.

Investments in associates that are not individually material are accounted for using the equity method although the Group holds less than 20% interest because the Group exercises significant influence on their major transactions or has representations on their board of directors.

The Group is the single largest shareholder of several associates. The Group's holding is less than 50% of the voting rights in the investees but the Group considered its holding of voting rights relative to the size and dispersion of the other shareholdings, which are not widely dispersed, and concluded that it has neither the ability to direct the relevant activities of the investees nor the control over the investees. The management of the Group considered the Group as exercising significant influence over the investees and, therefore, classified them as associates accounted for using the equity method.

The share of profit or loss and other comprehensive income of these associates accounted for using the equity method were based on the associates' financial statements which have been audited for the same years.

The Group acquired 42.79% interest in Looplus Service Technology Inc. in the amount of \$32,000 thousand during the year ended December 31, 2021. The Group acquired one of the seats on the board of directors and one of the seats on the supervisory board in July 2021 and began exercising significant influence over Looplus Service Technology Inc.

## Financial Overview

Hua-Chuang Automobile Information Technical Center reduced its capital for offsetting accumulated deficit, and issued ordinary shares for cash in May and August 2020, respectively. The Group did not subscribe for additional new shares at the percentage of its existing ownership, which resulted in the Group's combined shareholding to be less than 0.01%. In addition, in September 2020, the Corporation has resigned from its position as member of the board of directors of Hua-Chuang Automobile Information Technical Center and consequently ceased to have significant influence over Hua-Chuang Automobile Information Technical Center and recognized a loss on disposal of the investment amounting to \$2,522 thousand.

b. Investments in joint ventures

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Joint ventures that are not individually material	<u>\$ 7,407,477</u>	<u>\$ 7,296,965</u>
Aggregate information of joint ventures that are not individually material:		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Group's share of:		
Net profit of the year	\$ 1,256,202	\$ 478,366
Other comprehensive income (loss)	<u>(13,929)</u>	<u>47,036</u>
Total comprehensive income for the year	<u>\$ 1,242,273</u>	<u>\$ 525,402</u>

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

The share of profit or loss and other comprehensive income of these joint ventures accounted for using the equity method were based on the joint ventures' financial statements which have been audited for the same years.

South East (Fujian) Motor Corporation Ltd. issued ordinary shares for cash in August 2021 and December 2021, respectively. In August 2021, South East (Fujian) Motor Corporation Ltd. changed its entity type and name to South East (Fujian) Motor Corporation Ltd., which is limited by shares. The Group did not subscribe for additional new shares of the aforementioned company in proportion to its existing ownership percentage, which resulted in a decrease of the Group's combined shareholding from 25% to 5.525%. Accordingly, the Group recognized a loss on disposal of investment of \$116,764 thousand, which is in proportion to the amount of the gains or losses previously recognized in other comprehensive income in relation to the joint venture that was reclassified to profit and loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. The Group is able to exercise significant influence over South East (Fujian) Motor that is not individually material even though it holds less than 20% of their voting rights. This is because the Group has representation on their board of directors.

In February 2022, Daimler Vans Hong Kong Ltd. changed its entity name to Mercedes-Benz Vans Hong Kong Ltd.

# Financial Overview

## 16. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 1,974,774	\$ 127,348	\$ 4,820,119	\$ 25,273,065	\$ 1,708,303	\$ 453,007	\$ 34,356,616
Additions	-	-	4,386	72,417	54,888	520,313	652,004
Disposals	-	-	(7,216)	(2,884,319)	(147,126)	-	(3,038,661)
Reclassifications	-	612	15,761	376,824	49,658	(460,111)	(17,256)
Effect of foreign currency exchange differences	-	-	(1,337)	(340)	(182)	-	(1,859)
Balance at December 31, 2021	<u>\$ 1,974,774</u>	<u>\$ 127,960</u>	<u>\$ 4,831,713</u>	<u>\$ 22,837,647</u>	<u>\$ 1,665,541</u>	<u>\$ 513,209</u>	<u>\$ 31,950,844</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021		\$ 115,300	\$ 3,980,133	\$ 22,400,678	\$ 1,333,276	\$ -	\$ 27,829,387
Disposals		-	(7,216)	(2,878,986)	(108,073)	-	(2,994,275)
Depreciation expense		2,411	72,994	591,257	84,895	-	751,557
Reclassifications		-	2	2,139	(235)	-	1,906
Impairment losses		-	-	146,258	865	-	147,123
Effect of foreign currency exchange differences		-	(350)	(207)	(153)	-	(710)
Balance at December 31, 2021		<u>\$ 117,711</u>	<u>\$ 4,045,563</u>	<u>\$ 20,261,139</u>	<u>\$ 1,310,575</u>	<u>\$ -</u>	<u>\$ 25,734,988</u>
Carrying amounts at December 31, 2021	<u>\$ 1,974,774</u>	<u>\$ 10,249</u>	<u>\$ 786,150</u>	<u>\$ 2,576,508</u>	<u>\$ 354,966</u>	<u>\$ 513,209</u>	<u>\$ 6,215,856</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,974,774	\$ 126,428	\$ 4,769,262	\$ 24,099,766	\$ 1,709,591	\$ 897,340	\$ 33,577,161
Additions	-	-	-	68,022	11,404	856,162	935,588
Disposals	-	-	-	(87,827)	(75,588)	-	(163,415)
Reclassifications	-	920	47,940	1,192,382	62,543	(1,300,495)	3,290
Effect of foreign currency exchange differences	-	-	2,917	722	353	-	3,992
Balance at December 31, 2020	<u>\$ 1,974,774</u>	<u>\$ 127,348</u>	<u>\$ 4,820,119</u>	<u>\$ 25,273,065</u>	<u>\$ 1,708,303</u>	<u>\$ 453,007</u>	<u>\$ 34,356,616</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020		\$ 112,982	\$ 3,907,415	\$ 21,836,251	\$ 1,301,259	\$ -	\$ 27,157,907
Disposals		-	-	(86,515)	(50,983)	-	(137,498)
Depreciation expense		2,318	71,740	641,138	81,669	-	796,865
Reclassifications		-	158	3,132	-	-	3,290
Impairment losses		-	-	6,213	1,015	-	7,228
Effect of foreign currency exchange differences		-	820	459	316	-	1,595
Balance at December 31, 2020		<u>\$ 115,300</u>	<u>\$ 3,980,133</u>	<u>\$ 22,400,678</u>	<u>\$ 1,333,276</u>	<u>\$ -</u>	<u>\$ 27,829,387</u>
Carrying amounts at December 31, 2020	<u>\$ 1,974,774</u>	<u>\$ 12,048</u>	<u>\$ 839,986</u>	<u>\$ 2,872,387</u>	<u>\$ 375,027</u>	<u>\$ 453,007</u>	<u>\$ 6,527,229</u>

All the property, plant and equipment of the Group were for own use.

As a result of the decrease in sales for several types of vehicles in the market, the estimated future cash flows from the related equipment have decreased. Thus, the Group recognized an impairment loss of \$147,123 thousand for the year ended December 31, 2021. The Group determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used for measuring the value in use was 5.75%. The Group had no future cash flow from the related equipment and recognized an impairment loss of \$7,228 thousand for the year ended December 31, 2020.

## Financial Overview

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

<u>Category</u>	<u>Useful Life</u>
Land improvements	3-20 years
Buildings	2-60 years
Machinery	2-24 years
Other equipment	2-20 years

Acquisition of property, plant and equipment includes the decrease in payables for equipment of \$25,272 thousand and the increase in payables for equipment of \$140,081 thousands for the years ended December 31, 2021 and 2020, respectively, refer to Note 20 for the details.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

### 17. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 117,972	\$ 54,807
Buildings	125,549	292,648
Other equipment	<u>13,929</u>	<u>9,277</u>
	<u>\$ 257,450</u>	<u>\$ 356,732</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 106,051</u>	<u>\$ 28,180</u>
Depreciation charge for right-of-use assets		
Land	\$ 27,723	\$ 28,297
Buildings	52,875	63,120
Other equipment	<u>6,940</u>	<u>6,537</u>
	<u>\$ 87,538</u>	<u>\$ 97,954</u>

#### b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Current	<u>\$ 62,450</u>	<u>\$ 87,196</u>
Non-current	<u>\$ 198,986</u>	<u>\$ 277,908</u>

Range of discount rates for lease liabilities was as follows:

# Financial Overview

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.20%-1.41%	1.20%-1.94%
Buildings	1.20%-1.80%	1.20%-4.35%
Other equipment	0.95%-1.37%	0.95%-1.37%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, and offices with lease terms of 2 to 20 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 12,822</u>	<u>\$ 18,436</u>
Expenses relating to low-value asset leases	<u>\$ 4,696</u>	<u>\$ 1,668</u>
Total cash outflow for leases	<u>\$ 108,146</u>	<u>\$ 123,575</u>

The Group's leases of certain equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 18. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2021	\$ 1,821,158
Additions	<u>2,199</u>
Balance at December 31, 2021	<u>\$ 1,823,357</u>

Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 466,143
Depreciation expense	<u>11,650</u>
Balance at December 31, 2021	<u>\$ 477,793</u>
Carrying amount at December 31, 2021	<u>\$ 1,345,564</u>

Cost

Balance at January 1, 2020 and December 31, 2020	<u>\$ 1,821,158</u>
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(Continued)

# Financial Overview

## Accumulated depreciation and impairment

Balance at January 1, 2020	\$ 455,109
Depreciation expense	<u>11,034</u>
Balance at December 31, 2020	<u>\$ 466,143</u>
Carrying amount at December 31, 2020	<u>\$ 1,355,015</u> (Concluded)

The investment properties were leased out for 2 to 10 years, with an option to extend the lease periods. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 and 2020 was as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 59,964	\$ 58,895
Year 2	34,872	47,270
Year 3	28,714	22,178
Year 4	28,714	16,020
Year 5	7,653	16,020
Later than 5 years	<u>12,414</u>	<u>-</u>
	<u>\$ 172,331</u>	<u>\$ 160,383</u>

The investment properties held by the Group are depreciated over their estimated 10 to 60 years of useful lives, using the straight-line method.

The fair values of investment properties of the Group were \$2,294,334 thousand and \$2,278,789 thousand as of December 31, 2021 and 2020, respectively.

Investment properties as of December 31, 2021 and 2020 were appraised by the Group's management using the valuation model in which other market participants frequently used. The valuation from management was arrived at by reference to market evidence of transaction prices for similar properties.

The Group has freehold interests in all of its investment properties. The investment properties pledged as deposits for certain projects are set out in Note 31.

## **19. BORROWINGS**

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Line of credit borrowings	<u>\$ 140,000</u>	<u>\$ 215,000</u>

# Financial Overview

The ranges of interest rate on credit borrowings were 0.90% and 0.36%-0.96% per annum as of December 31, 2021 and 2020, respectively.

## b. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 68,750	\$ 93,750
Less: Current portions	<u>-</u>	<u>(37,500)</u>
Long-term borrowings	<u>\$ 68,750</u>	<u>\$ 56,250</u>

The aforementioned long-term borrowings are repayable in installments at varying amounts before April 15, 2023. The Group had signed medium-term loan contracts with banks for non-revolving credit facilities. However, on September 1, 2021, the Group entered into a contract to extend the repayment date to July 31, 2024. As of December 31, 2021 and 2020, the annual interest rates were both 0.725%.

## 20. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries or bonuses	\$ 1,166,206	\$ 1,081,979
Payables for warranties	258,401	206,309
Payables for advertisement	209,167	171,646
Payables for equipment	189,110	214,382
Provisions for employee benefits	139,090	138,475
Payables for development	115,411	14,308
Payables for taxes	82,752	183,287
Others	<u>434,601</u>	<u>631,435</u>
	<u>\$ 2,594,738</u>	<u>\$ 2,641,821</u>

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation and Kian Shen, China Engine, Sino Diamond Motors, Brilliant Insight International, COC, Y.M. Hi-Tech, and Ling Wei of the Group adopted a pension plan under the Labor Pension Act (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 Overview

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation and Kian Shen, China Engine, Sino Diamond Motors, COC and Y.M. Hi-Tech of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes 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>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 2,303,574	\$ 2,384,534
Fair value of plan assets	<u>(1,633,360)</u>	<u>(1,733,104)</u>
Net defined benefit liabilities	<u>\$ 670,214</u>	<u>\$ 651,430</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	\$ 2,384,534	\$ (1,733,104)	\$ 651,430
Service cost			
Current service cost	27,998	-	27,998
Past service cost	47,006	-	47,006
Net interest expense (income)	<u>11,768</u>	<u>(8,626)</u>	<u>3,142</u>
Recognized in profit or loss	<u>86,772</u>	<u>(8,626)</u>	<u>78,146</u>
Remeasurement			
Return on plan assets	-	(22,789)	(22,789)
Actuarial loss			
Changes in demographic assumptions	62,442	-	62,442
Changes in financial assumptions	1,131	-	1,131
Experience adjustments	<u>9,163</u>	<u>-</u>	<u>9,163</u>
Recognized in other comprehensive income (loss)	<u>72,736</u>	<u>(22,789)</u>	<u>49,947</u>
Contributions from the employer	-	(33,662)	(33,662)
Benefits paid	(164,821)	164,821	-
Portion of benefits paid by the Corporation	<u>(75,647)</u>	<u>-</u>	<u>(75,647)</u>
Balance at December 31, 2021	<u>\$ 2,303,574</u>	<u>\$ (1,633,360)</u>	<u>\$ 670,214</u>

(Continued)

# Financial Overview

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 2,436,206</u>	<u>\$ (1,700,806)</u>	<u>\$ 735,400</u>
Service cost			
Current service cost	32,943	-	32,943
Past service cost	65,263	-	65,263
Net interest expense (income)	<u>18,588</u>	<u>(13,078)</u>	<u>5,510</u>
Recognized in profit or loss	<u>116,794</u>	<u>(13,078)</u>	<u>103,716</u>
Remeasurement			
Return on plan assets	-	(58,653)	(58,653)
Actuarial loss			
Changes in demographic assumptions	328	-	328
Changes in financial assumptions	57,463	-	57,463
Experience adjustments	<u>18,637</u>	<u>-</u>	<u>18,637</u>
Recognized in other comprehensive income (loss)	<u>76,428</u>	<u>(58,653)</u>	<u>17,775</u>
Contributions from the employer	-	(115,957)	(115,957)
Benefits paid	(155,390)	155,390	-
Portion of benefits paid by the Corporation	<u>(89,504)</u>	<u>-</u>	<u>(89,504)</u>
Balance at December 31, 2020	<u>\$ 2,384,534</u>	<u>\$ (1,733,104)</u>	<u>\$ 651,430</u> (Concluded)

The disbursement amounts of defined benefit plans of associates were \$289 thousand and \$520 thousand in 2021 and 2020, respectively.

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

- 1) Investment risk: The plan assets are invested in domestic and 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.

## Financial Overview

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>	
	<u>2021</u>	<u>2020</u>
Discount rate	0.5%-1%	0.375%-1%
Expected rate of salary increase	1.25%-2.5%	1.25%-2.5%

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate		
0.25% increase	<u>\$ (53,787)</u>	<u>\$ (58,234)</u>
0.25% decrease	<u>\$ 55,651</u>	<u>\$ 60,329</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 54,254</u>	<u>\$ 58,787</u>
0.25% decrease	<u>\$ (52,708)</u>	<u>\$ (57,040)</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	<u>\$ 249,060</u>	<u>\$ 36,253</u>
Average duration of the defined benefit obligation	7.5-10.6 years	7.6-11.6 years

## 22. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number 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>553,620</u>	<u>553,620</u>
Shares issued and fully paid	<u>\$ 5,536,203</u>	<u>\$ 5,536,203</u>

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

# Financial Overview

## b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Conversion of bonds	\$ 5,183,923	\$ 5,183,923
Issuance of ordinary shares	1,184,920	1,184,920
Others	4,666	4,666
May be used to offset a deficit only		
Changes in percentage of ownership interest in subsidiaries (Note 2)	2,225	2,225
Share of changes in capital surplus of associates or joint ventures	45,781	36,044
	<u>\$ 6,421,515</u>	<u>\$ 6,411,778</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 to once a year).

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

## c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 24.

The operating environment of the Corporation is considered as a mature and steady industry. In determining the amount of dividends to be distributed, the Corporation takes its future capital expenditures and related factors into account and also seeks to uphold the shareholders' interests while realizing the Corporation's long-term financial plan. Dividends are distributed at no less than 40% of profits after tax, but dividends cannot be distributed if the Corporation has deficit. Dividends are paid in the form of cash or stock. The Corporation's policy is that cash dividends should be at least 20% of total dividends.

The shareholders of the Corporation held their regular meeting in June 2020 and in that meeting, resolved the amendments to the dividend policy of the Corporation's Articles of Incorporation, where the regulation of "dividends cannot be distributed if the Corporation has a deficit" has been deleted.

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Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The 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.

Items referred to 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" should be appropriated to or reserved from a special reserve by the Corporation.

The appropriation of earnings for 2020 that had been resolved by the shareholders in their meeting in July 2021 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 323,844	
Cash dividends	3,875,342	\$7.0

The Corporation proposed to not distribute any dividends due to the net loss incurred in 2019.

Information on the appropriation of earnings in the shareholders' meetings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 15, 2022 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 423,697	
Cash dividends	3,044,912	\$5.5

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held in June 2022.

d. Special reserves

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 1,028,359	\$ 1,029,654
Reversals		
Disposal of subsidiaries and associates	-	(1,185)
Disposal of property, plant and equipment	-	(110)
Balance at December 31	<u>\$ 1,028,359</u>	<u>\$ 1,028,359</u>

# Financial Overview

## e. Other equity items

### 1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (926,661)	\$ (990,653)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(4,577)	12,993
Share from associates and joint ventures accounted for using the equity method	(12,267)	30,165
Reclassification adjustments		
Disposal of associates accounted for using equity method	116,764	4,470
Disposal of foreign operations	-	16,364
Other comprehensive income recognized for the year	<u>99,920</u>	<u>63,992</u>
Balance at December 31	<u>\$ (826,741)</u>	<u>\$ (926,661)</u>

### 2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 264,666	\$ 216,562
Recognized for the year		
Unrealized loss - equity instruments	(9,084)	(10,421)
Share from associates accounted for using the equity method	<u>195,381</u>	<u>53,107</u>
Other comprehensive income recognized for the year	<u>186,297</u>	<u>42,686</u>
Cumulative unrealized loss (gain) of equity instruments transferred to retain earning due to disposal by associates	(43,109)	5,418
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(30,418)</u>	<u>-</u>
Balance at December 31	<u>\$ 377,436</u>	<u>\$ 264,666</u>

### 3) Gain (loss) on hedging instruments

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 6,918	\$ (19,968)
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	(6,227)	8,632
Foreign currency risk - spot rate	(25,451)	6,870
Share from joint ventures accounted for using the equity method	<u>(24,512)</u>	<u>2,714</u>
Other comprehensive income (loss) recognized for the year	<u>(56,190)</u>	<u>18,216</u>
Transferred to initial carrying amount of hedged items	<u>20,881</u>	<u>8,670</u>
Balance at December 31	<u>\$ (28,391)</u>	<u>\$ 6,918</u>

## Financial Overview

### f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 3,583,254	\$ 3,422,878
Share of profit for the year	<u>221,649</u>	<u>263,228</u>
Other comprehensive income (loss) recognized for the year		
Unrealized loss on financial assets at FVTOCI	-	(17,876)
Exchange difference on translation the financial statements of foreign operations	(843)	6,069
Remeasurement on defined benefit plans	1,185	2,498
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	<u>(15,174)</u>	<u>33,147</u>
Other comprehensive income (loss) recognized for the year	<u>(14,832)</u>	<u>23,838</u>
Cash dividend distributed by subsidiaries	<u>(137,173)</u>	<u>(126,690)</u>
Balance at December 31	<u>\$ 3,652,898</u>	<u>\$ 3,583,254</u>

### 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods		
Revenue from sale of vehicles	\$ 23,791,349	\$ 23,722,821
Revenue from sale of components	<u>6,114,297</u>	<u>5,846,166</u>
	29,905,646	29,568,987
Service revenue	1,098,324	1,183,207
Rental income	111,874	107,290
Other revenue	<u>9,555</u>	<u>15,116</u>
	<u>\$ 31,125,399</u>	<u>\$ 30,874,600</u>

#### Contract Balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes and accounts receivable (Note 12)	<u>\$ 692,831</u>	<u>\$ 914,273</u>	<u>\$ 1,190,463</u>
Trade receivables from related parties (Note 30)	<u>\$ 1,394,827</u>	<u>\$ 1,267,478</u>	<u>\$ 1,457,139</u>

# Financial Overview

## 24. NET PROFIT

Net profit includes the following:

a. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
An analysis of depreciation by function		
Operating costs	\$ 688,524	\$ 726,088
Operating expenses	<u>162,221</u>	<u>179,765</u>
	<u>\$ 850,745</u>	<u>\$ 905,853</u>
An analysis of amortization by function		
Operating costs	\$ 5,999	\$ 5,469
Operating expenses	<u>38,123</u>	<u>41,642</u>
	<u>\$ 44,122</u>	<u>\$ 47,111</u>
An analysis of amortization of intangible assets by function		
Research and development expenses	<u>\$ 44,764</u>	<u>\$ 75,053</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment properties	<u>\$ 74,923</u>	<u>\$ 73,658</u>
Direct operating expenses from investment properties generating rental income	<u>\$ 24,898</u>	<u>\$ 24,364</u>

c. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Post-employment benefits		
Defined contribution plans	\$ 74,410	\$ 71,309
Defined benefit plans	<u>77,857</u>	<u>103,196</u>
	152,267	174,505
Short-term benefits	<u>3,127,873</u>	<u>3,236,995</u>
	<u>\$ 3,280,140</u>	<u>\$ 3,411,500</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 1,708,483	\$ 1,777,269
Operating expenses	<u>1,571,657</u>	<u>1,634,231</u>
	<u>\$ 3,280,140</u>	<u>\$ 3,411,500</u>



## Financial Overview

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors of at rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors in March 2022 and 2021, respectively, are as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 46,959	\$ 31,923
Remuneration of directors	24,098	17,130

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2020.

Due to the net loss before income tax for the year ended December 31, 2019, the Corporation did not accrue employees' compensation and remuneration of directors.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Impairment loss

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Property, plant and equipment (Note 16)	\$ 147,123	\$ 7,228
Intangible assets under development	<u>-</u>	<u>94,497</u>
	<u>\$ 147,123</u>	<u>\$ 101,725</u>

The Group intends to modify vehicle engines, and the future cash flows expected to arise from the related intangible assets of engines had decreased to zero. Therefore, the Group recognized impairment loss of \$94,497 thousand for the year ended December 31, 2020.

f. Gain on disposal of investments

In August 2018, the Group entered into a contract for the transfer of its shares in Zhejiang Kanda to a non-related party and collected the proceeds from the contract in installments (discounted price after tax was \$390,514 thousand (RMB91,105 thousand)). The disposal was completed in May 2020, the date on which the Group recognized a gain on disposal of investments amounting to \$234,953 thousand, and recognized an expected credit gain (loss) of \$46,919 thousand and \$(84,464) thousand for the years ended December 31, 2021 and 2020, respectively, after taking into consideration the debtor's current financial position and the value of the assets pledged as collateral. As of December 31, 2021 and 2020, the balance of receivables was \$194,074 thousand (\$45,034 thousand and \$149,040 thousand were

# Financial Overview

included in other receivables and other non-current assets, respectively) and \$200,494 thousand (\$36,291 thousand and \$164,203 thousand were included in other receivables and other non-current assets, respectively).

## 25. INCOME TAXES

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

Major components of tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 434,160	\$ 77,192
Taxation for repatriated offshore funds	167,141	121,108
Tax refund for offshore funds	(6,681)	-
Adjustments for the prior years	<u>9,718</u>	<u>(26,714)</u>
	<u>604,338</u>	<u>171,586</u>
Deferred tax		
In respect of the current year	70,919	21,163
Adjustments for the prior years	<u>(465)</u>	<u>19,169</u>
	<u>70,454</u>	<u>40,332</u>
Income tax expense recognized in profit or loss	<u>\$ 674,792</u>	<u>\$ 211,918</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	<u>\$ 5,078,276</u>	<u>\$ 3,752,466</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,015,655	\$ 750,494
Non-deductible expense	6,019	2,392
Tax-exempt income	(397,293)	(97,729)
Taxation for repatriated offshore funds	167,141	121,108
Tax refund for offshore funds	(6,681)	-
Income tax on unappropriated earnings	9,203	1,239
Unrecognized deductible temporary differences	(20,373)	(645,010)
Investment credits	(60,474)	-
Unrecognized loss carryforwards	(48,299)	89,213
Effect of different tax rates of group entities operating in other jurisdictions	(93)	(24,450)
Adjustments for prior years' tax	9,253	(7,545)
Others	<u>734</u>	<u>22,206</u>
Income tax expense recognized in profit or loss	<u>\$ 674,792</u>	<u>\$ 211,918</u>

The corporate tax rate applicable to subsidiaries in China is 25%. Tax rates applicable to other entities of the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

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In July 2019, the president of the ROC announced the regulations on the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. Within two years from the date of enforcement of this Act, profit-seeking enterprises may be subject to taxation based on these regulations upon approval by the tax authorities. A tax rate of 8% applies to the first year's repatriation of funds, while a tax rate of 10% applies to the second year's repatriation of funds; the statutory rate of 20% is not applicable. If substantive investments are subsequently made, profit-seeking enterprises may apply for a refund of 50% of the tax paid for qualifying investment amounts.

For the year ended December 31, 2021, the Group repatriated \$818,753 thousand (RMB27,513 thousand and EUR20,691 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. Total income tax withholdings was \$167,141 thousand, comprising \$86,843 thousand based on the source of income and \$80,298 thousand based on the preferential tax rate at 10%.

For the year ended December 31, 2020, the Group repatriated \$685,351 thousand (RMB161,076 thousand and US\$367 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. The total amount of withholding tax on income was \$121,108 thousand, comprising \$66,468 thousand based on the source of income and \$54,640 thousand based on the preferential tax rate at 8%. Subsequent substantive investments amounted to \$158,190 thousand, and application for the refund of tax was \$6,681 thousand.

b. Income tax recognized in other comprehensive income (loss)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 15,202	\$ 3,555
Cash flow hedges	<u>7,919</u>	<u>(3,876)</u>
	<u>\$ 23,121</u>	<u>\$ (321)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets (included in other current assets)		
Tax refund receivable and prepaid income tax	<u>\$ 162,140</u>	<u>\$ 144,737</u>
Current tax liabilities		
Income tax payable	<u>\$ 423,104</u>	<u>\$ 284,692</u>

# Financial Overview

## 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, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 101,389	\$ (11,424)	\$ 15,202	\$ -	\$ 105,167
Other payables	60,269	10,366	-	-	70,635
Inventories	45,749	15,604	-	-	61,353
Others	<u>67,588</u>	<u>25,738</u>	<u>6,678</u>	<u>(5,220)</u>	<u>94,784</u>
	274,995	40,284	21,880	(5,220)	331,939
Loss carryforwards	<u>32,150</u>	<u>(29,443)</u>	<u>-</u>	<u>-</u>	<u>2,707</u>
	<u>\$ 307,145</u>	<u>\$ 10,841</u>	<u>\$ 21,880</u>	<u>\$ (5,220)</u>	<u>\$ 334,646</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 503,423	\$ 83,934	\$ -	\$ 1,277	\$ 588,634
Reserve for land value increment tax	69,799	-	-	-	69,799
Others	<u>5,088</u>	<u>(2,639)</u>	<u>(1,241)</u>	<u>-</u>	<u>1,208</u>
	<u>\$ 578,310</u>	<u>\$ 81,295</u>	<u>\$ (1,241)</u>	<u>\$ 1,277</u>	<u>\$ 659,641</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 118,173	\$ (20,339)	\$ 3,555	\$ -	\$ 101,389
Other payables	60,674	(405)	-	-	60,269
Inventories	37,728	8,021	-	-	45,749
Others	<u>36,253</u>	<u>36,137</u>	<u>(4,802)</u>	<u>-</u>	<u>67,588</u>
	252,828	23,414	(1,247)	-	274,995
Loss carryforwards	<u>566</u>	<u>31,584</u>	<u>-</u>	<u>-</u>	<u>32,150</u>
	<u>\$ 253,394</u>	<u>\$ 54,998</u>	<u>\$ (1,247)</u>	<u>\$ -</u>	<u>\$ 307,145</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 410,481	\$ 91,483	\$ -	\$ 1,459	\$ 503,423
Reserve for land value increment tax	69,799	-	-	-	69,799
Others	<u>-</u>	<u>3,847</u>	<u>(926)</u>	<u>2,167</u>	<u>5,088</u>
	<u>\$ 480,280</u>	<u>\$ 95,330</u>	<u>\$ (926)</u>	<u>\$ 3,626</u>	<u>\$ 578,310</u>

## Financial Overview

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
Expiry in 2021	\$ -	\$ 263,312
Expiry in 2022	5,663	42,929
Expiry in 2023	-	12,368
Expiry in 2024	-	7,016
Expiry in 2025	8,836	8,836
Expiry in 2027	-	20,785
Expiry in 2028	299,373	367,500
Expiry in 2029	82,676	180,862
Expiry in 2030	<u>495,620</u>	<u>495,623</u>
	<u>\$ 892,168</u>	<u>\$ 1,399,231</u>
Deductible temporary differences	<u>\$ 1,497,992</u>	<u>\$ 1,569,668</u>

- f. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2021 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 5,663	2022
8,836	2025
299,832	2028
85,051	2029
501,058	2030
<u>5,263</u>	2031
<u>\$ 905,703</u>	

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with an investment in subsidiaries for which no deferred tax liabilities have been recognized were \$523,203 thousand and \$516,342 thousand, respectively.

- h. Income tax assessments

The income tax returns of the Corporation through 2019 have been assessed by the tax authorities.

# Financial Overview

## 26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	\$ <u>7.67</u>	\$ <u>6.01</u>
Diluted earnings per share	\$ <u>7.66</u>	\$ <u>6.00</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit of the Corporation	\$ <u>4,181,835</u>	\$ <u>3,277,320</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share		
Weighted average number of ordinary shares	553,620	553,620
Adjustment for shares held by associates	<u>(8,239)</u>	<u>(8,239)</u>
	545,381	545,381
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>887</u>	<u>631</u>
Weight average number of ordinary shares used in the computation of diluted earnings per share	<u>546,268</u>	<u>546,012</u>

When calculating earnings per share (EPS), the Corporation considers the shares held by associates as the treasury shares to reduce the outstanding shares.

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## Financial Overview

### 27. DISPOSAL OF SUBSIDIARY

The Corporation's board of directors approved to fully dispose of its interest held in its subsidiary, Advance Power Machinery, to Yulon on July 16, 2020. The disposal was completed on July 17, 2020, the date on which the control of Advance Power Machinery was transferred to the acquirer.

- a. Consideration received from disposal

**For the Year  
Ended  
December 31,  
2020**

Sales proceeds received	<u>\$ 10,787</u>
-------------------------	------------------

- b. Analysis of assets and liabilities on the date control was lost

**For the Year  
Ended  
December 31,  
2020**

Current assets	
Cash and cash equivalents	\$ 12,983
Notes and accounts receivable, net	10,844
Other receivables	1,579
Other current assets	30
Non-current assets	
Other non-current assets	20
Current liabilities	
Other payables	(14,311)
Current tax liabilities	(31)
Other current liabilities	<u>(245)</u>
Net assets disposed of	<u>\$ 10,869</u>

- c. Loss on disposal of subsidiary

**For the Year  
Ended  
December 31,  
2020**

Consideration received	\$ 10,787
Net assets disposal of	<u>(10,869)</u>
Loss on disposals	<u>\$ (82)</u>

# Financial Overview

- d. Net cash and cash equivalent outflow on disposal of subsidiary

	<b>For the Year Ended December 31, 2020</b>
Proceeds of disposal	\$ 10,787
Less: Cash and cash equivalent balances disposal of	<u>(12,983)</u>
Net cash outflow on disposal of subsidiary	<u>\$ (2,196)</u>

## **28. 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.

## **29. FINANCIAL INSTRUMENTS**

- a. Fair value of financial instruments that are not measured at fair value

The Group's management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the consolidated 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 on a recurring basis

- 1) Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 229,626	\$ -	\$ -	\$ 229,626
Domestic unlisted shares	-	-	676,756	676,756
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>613</u>	<u>613</u>
	<u>\$ 229,626</u>	<u>\$ -</u>	<u>\$ 677,369</u>	<u>\$ 906,995</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 15,798	\$ -	\$ -	\$ 15,798
Domestic unlisted shares	-	-	24,954	24,954
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>110,669</u>	<u>110,669</u>
	<u>\$ 15,798</u>	<u>\$ -</u>	<u>\$ 135,623</u>	<u>\$ 151,421</u>

(Continued)



## Financial Overview

	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Non-derivative financial instruments	\$ 107,179	\$ -	\$ -	\$ 107,179
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>533</u>	<u>533</u>
	<u>\$ 107,179</u>	<u>\$ -</u>	<u>\$ 533</u>	<u>\$ 107,712</u>
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976</u>	<u>\$ 976</u>
Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,971</u>	<u>\$ 3,971</u> (Concluded)
<u>December 31, 2020</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 1,056,288	\$ -	\$ -	\$ 1,056,288
Domestic unlisted shares	-	-	672,914	672,914
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>3,141</u>	<u>3,141</u>
	<u>\$ 1,056,288</u>	<u>\$ -</u>	<u>\$ 676,055</u>	<u>\$ 1,732,343</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 30,370	\$ -	\$ -	\$ 30,370
Domestic unlisted shares	-	-	24,145	24,145
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>124,358</u>	<u>124,358</u>
	<u>\$ 30,370</u>	<u>\$ -</u>	<u>\$ 148,504</u>	<u>\$ 178,873</u> (Continued)

# Financial Overview

	Level 1	Level 2	Level 3	Total
Financial assets for hedging				
Non-derivative financial instruments	\$ 115,841	\$ -	\$ -	\$ 115,841
Derivative financial instruments	<u>-</u>	<u>-</u>	<u>4,425</u>	<u>4,425</u>
	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 4,425</u>	<u>\$ 120,266</u>

## Financial liabilities

Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 79</u>
				(Concluded)

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

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

For the year ended December 31, 2021

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 672,914	\$ 3,141	\$ 148,504	\$ 4,425	\$ 828,984
Recognized in profit or loss	3,842	(2,528)	-	-	1,314
Recognized in other comprehensive loss	<u>-</u>	<u>-</u>	<u>(12,881)</u>	<u>(3,892)</u>	<u>(16,773)</u>
Balance at December 31	<u>\$ 676,756</u>	<u>\$ 613</u>	<u>\$ 135,623</u>	<u>\$ 533</u>	<u>\$ 813,525</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ -	\$ 79	\$ 79
Recognized in profit or loss	976	-	976
Recognized in other comprehensive income	<u>-</u>	<u>3,892</u>	<u>3,892</u>
Balance at December 31	<u>\$ 976</u>	<u>\$ 3,971</u>	<u>\$ 4,947</u>

# Financial Overview

For the year ended December 31, 2020

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 686,413	\$ 304	\$ 178,259	\$ 440	\$ 865,416
Recognized in profit or loss	(13,499)	2,837	-	-	(10,662)
Recognized in other comprehensive income (loss)	-	-	(29,755)	3,985	(25,770)
Balance at December 31	<u>\$ 672,914</u>	<u>\$ 3,141</u>	<u>\$ 148,504</u>	<u>\$ 4,425</u>	<u>\$ 828,984</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 2,483	\$ 6,884	\$ 9,367
Recognized in profit or income	(2,483)	-	(2,483)
Recognized in other comprehensive income	-	(6,805)	(6,805)
Balance at December 31	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 79</u>

## 3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

- Derivative financial instruments: The fair values of foreign exchange forward contracts of future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- Domestic unlisted securities to which the market approach was applied: The fair values of domestic unlisted shares were determined with reference to the share prices of listed companies with similar businesses as the Corporation. The material unobservable inputs were as follows:

	December 31	
	2021	2020
Operating income ratio	0.92-4.78 times	0.69-5.21 times
Gross profit ratio	2.11-3.28 times	-
EBITDA ratio	-	4.75-36.25 times
Post-tax profit ratio	8.39-13.27 times	-
P/B ratio	0.73-3.23 times	0.43-3.86 times
Discount rate for lack of marketability	32.28%	32.28%

# Financial Overview

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating income ratio		
0.1 time increase	\$ 31,752	\$ 25,129
0.1 time decrease	\$ (31,752)	\$ (25,129)
Gross profit ratio		
1 time increase	\$ 42,416	\$ -
1 time decrease	\$ (42,416)	\$ -
EBITDA ratio		
1 time increase	\$ -	\$ 8,984
1 time decrease	\$ -	\$ (8,984)
Post-tax profit ratio		
1 time increase	\$ 9,716	\$ -
1 time decrease	\$ (9,716)	\$ -
P/B ratio		
0.1 time increase	\$ 82,299	\$ 79,510
0.1 time decrease	\$ (82,299)	\$ (79,510)

## c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 906,995	\$ 1,732,343
Financial assets for hedging	107,712	120,266
Financial assets at amortized cost (Note 1)	14,977,623	13,989,558
Financial assets at FVTOCI	151,421	178,873
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,766,306	6,612,332
FVTPL (included in other current liabilities)		
Held for trading	976	-
Financial liabilities for hedging (included in other current liabilities)	3,971	79

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivable (related parties included), other receivables, other financial assets (included in other current assets), guarantee deposits (included in other non-current assets) and long-term receivables (included in other non-current assets).

Note 2: The balances included financial liabilities measured at amortized cost which comprised short-term borrowings, short-term bills payable, notes and accounts payable (related parties included), other payables, long-term borrowing (current portion of long-term borrowing included) and deposits received (included in other non-current liabilities).

# Financial Overview

## d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. Financial risks include market risk, credit risk, and liquidity risk.

### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk.

#### a) Foreign currency 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 changes in foreign currency rate. The Group avoids cash flow risk resulting from the changes in adverse foreign currency rate by using derivative contracts.

#### Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included outstanding foreign currency denominated monetary items and their translation at the end of the reporting period is adjusted for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and equity associated with 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 to NTD</b>	
		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Loss		\$ (6,750)	\$ (8,111)
Equity		\$ (830)	\$ -
		<b>JPY to NTD</b>	
		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Gain		\$ 9	\$ 134
Equity		\$ (3,501)	\$ (6,974)
		<b>RMB to NTD</b>	
		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Loss		\$ (13,457)	\$ (15,796)
Equity		\$ (1,805)	\$ -

# Financial Overview

## 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flow interest rate risk		
Financial assets	\$ 12,343,638	\$ 11,184,954
Financial liabilities	318,736	458,713
Fair value interest rate risk		
Lease liabilities	261,436	365,104

### Sensitivity analysis

The sensitivity analysis below were determined based on the Group'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 0.25% 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.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$30,062 thousand and \$26,816 thousand, respectively.

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

## c) Other price risk

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

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$11,481 thousand and \$52,814 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$790 thousand and \$1,518 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

The amounts of financial assets will be potentially impacted if the counterparties of the Group or third parties fail to perform their obligations in financial instrument contracts. The impact includes the concentrated degrees, composition parts and contracts amounts of the financial instruments and other receivables. The Group believes credit risk is low because the counterparties are creditworthy banks, brokers and dealers.

## 3) Liquidity risk

The Group has sufficient operating capital to meet cash requirements for settlement of derivative transactions. Thus, liquidity risk is low. As of December 31, 2021 and 2020, the Group had available unutilized unsecured and secured financing facilities (including bills and letters) of \$6,707,901 thousand and \$6,448,979 thousand, respectively.

## 30. 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. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Names and categories of related parties

<u>Related Party Name</u>	<u>Related Party Category</u>
Mitsubishi Motors Corporation (Mitsubishi Motors Corp.)	Investor with significant influence over the Group
Mitsubishi Corporation	Investor with significant influence over the Group
Tai Yuen Textile Co., Ltd.	Investor with significant influence over the Group
Le Wen Investment Co., Ltd.	Investor with significant influence over the Group
Yulon Management Company Ltd. (Yulon Management)	Subsidiary of investors that have significant influence over the Group
Mitsubishi Corporation (Taiwan) Ltd.	Subsidiary of investors that have significant influence over the Group
Mitsubishi Motors Philippines Corporation	Subsidiary of investors that have significant influence over the Group
Mitsubishi Motors Thailand	Subsidiary of investors that have significant influence over the Group
Mitsubishi Motors Middle East and Africa	Subsidiary of investors that have significant influence over the Group
Shye Shyang Mechanical Industrial Co., Ltd.	The Group is its key management personnel.
Fuzhou Samnel Mechanical and Electrical	The Group is its key management personnel.
Uni-Calsonic Corp.	Associate
Yulon Motor Co., Ltd. (Yulon)	Associate
Fortune Motors Co., Ltd. (Fortune Motors)	Associate
ROC-Spicer Ltd. (ROC-Spicer)	Associate
Uni Auto Parts Manufacture Co., Ltd. (Uni Auto Parts Manufacture)	Associate
Shung Ye Motor Co., Ltd. (Shung Ye Motor)	Associate
Hua-Chuang Automobile Information Technical Center Co., Ltd. (Hua-Chuang Automobile Information)	Associate
Yulon IT Solutions Inc.	Associate
Sinjang Co., Ltd.	Associate
Sin Gan Co., Ltd.	Associate

(Continued)

# Financial Overview

Related Party Name	Related Party Category
Tokio Marine Nawa Insurance Co., Ltd.	Associate
Hong Shuo Cultural Enterprises, Co., Ltd.	Associate
Hsiang Shuo Enterprises	Associate
Sinqual Technology Co., Ltd.	Associate
Yufong Property Management Co., Ltd.	Associate
Taiwan Acceptance Corporation	Associate
Yue Sheng Industrial Co., Ltd.	Associate
Luxgen Motor Co., Ltd. (Luxgen)	Associate
Yulon Nissan Motor Co., Ltd.	Associate
Y-Teks Co., Ltd.	Associate
Yes-Energy Service Co., Ltd.	Associate
Yue Ki Industrial Co., Ltd. (Yue Ki Industrial)	Associate
Carplus Auto Leasing Corporation	Associate
Fortune HS Leasing Co., Ltd.	Associate
Yu Rich Financial Services Company	Associate
ROC-Keeper Industrial Ltd.	Associate
Fuzhou Lianhong Motor Parts Co., Ltd.	Associate
Tai Ya Investment (Hong Kong) Co., Ltd.	Associate
Advance Power Machinery Co.	Formerly a subsidiary; became an associate on July 17, 2020
Fu-Lun Motors Co., Ltd.	Associate
Loopus Service Technology Inc. (Loopus Service)	Became an associate in April 2021
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Joint venture
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Joint venture
South East (Fujian) Motor Corporation Ltd. (South East Corporation Ltd. by shares) (South East (Fujian) Motor)	Joint venture
Fujian Benz Automotive Co., Ltd.	Joint venture
Fuzhou Fushiang Motor Industrial Co., Ltd.	Joint venture
Xiamen King-Long Kian-Shen Frame	Joint venture
Hangzhou King-Long Kian-Shen Co., Ltd.	Joint venture
China Engine (Fujian)	Joint venture
Yuanchuang Industrial Investment Consulting Co., Ltd.	Substantive related party
Vivianwu Journalism Award Foundation	Substantive related party

(Concluded)

## b. Operating transactions

### 1) Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales	Associates		
	Fortune Motors	\$ 18,839,506	\$ 19,179,923
	Shung Ye Motor	4,348,180	5,259,792
	Others	<u>683,650</u>	<u>858,480</u>
		<u>23,871,336</u>	<u>25,298,195</u>
	Investors and subsidiaries of the investors that have significant influence over the Group	82,031	76,595
	Joint ventures	<u>19,026</u>	<u>22,853</u>
		<u>\$ 23,972,393</u>	<u>\$ 25,397,643</u>



## Financial Overview

### 2) Purchases of goods

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2021	2020
Purchases	Associates	\$ 2,211,853	\$ 2,031,488
	Investors and subsidiaries of the investors that have significant influence over the Group	1,240,799	1,513,396
	The Group is its key management personnel	321,310	304,317
	Joint ventures	<u>15,552</u>	<u>111,511</u>
		<u>\$ 3,789,514</u>	<u>\$ 3,960,712</u>

### 3) Technical services expense

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2021	2020
Cost of goods sold and selling and marketing expenses	Investors that have significant influence over the Group	<u>\$ 180,372</u>	<u>\$ 226,289</u>

### 4) Operating expenses

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2021	2020
Selling and marketing expenses, general and administrative expenses and research and development expenses	Investors and subsidiaries of investors that have significant influence over the Group	\$ 78,754	\$ 102,119
	Associates	19,080	20,329
	Others	<u>2,661</u>	<u>2,735</u>
		<u>\$ 100,495</u>	<u>\$ 125,183</u>

### 5) Contract liabilities

Line Item	Related Party Category/Name	<u>December 31</u>	
		2021	2020
Other current liabilities	Associates		
	Luxgen	\$ 56,058	\$ 58,585
	Others	<u>9,388</u>	<u>6,902</u>
		<u>65,446</u>	<u>65,487</u>
	Investors that have significant influence over the Group		
	Mitsubishi Motors Corp.	<u>-</u>	<u>16,393</u>
		<u>\$ 65,446</u>	<u>\$ 81,880</u>

# Financial Overview

## 6) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivables from related parties	Associates		
	Fortune Motors	\$ 992,093	\$ 724,638
	Shung Ye Motor	266,478	338,521
	Others	<u>124,663</u>	<u>189,089</u>
		1,383,234	1,252,248
	Joint ventures	7,248	11,270
	Others	<u>4,345</u>	<u>3,960</u>
		<u>\$ 1,394,827</u>	<u>\$ 1,267,478</u>

## 7) Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payables to related parties	Associates		
	Uni Auto Parts Manufacture	\$ 121,057	\$ 148,010
	Fortune Motors	107,730	65,266
	ROC-Spicer	101,305	100,270
	Yue Ki Industrial	97,387	113,048
	Others	<u>188,106</u>	<u>175,548</u>
		615,585	602,142
	Investors and subsidiaries of investors that have significant influence over the Group		
	Yulon Management	86,239	93,243
	Mitsubishi Motors Corp.	80,026	127,147
	Others	<u>10,954</u>	<u>7,786</u>
		177,219	228,176
	The Group is its key management personnel	56,226	67,906
	Joint ventures	<u>8,225</u>	<u>9,013</u>
		<u>\$ 857,255</u>	<u>\$ 907,237</u>

## 8) Prepayments

Line Item	Related Party Category/Name	December 31	
		2021	2020
Prepayments	Joint ventures	\$ 2,712	\$ 3,681
	Others	<u>770</u>	<u>194</u>
		<u>\$ 3,482</u>	<u>\$ 3,875</u>

## Financial Overview

### 9) Acquisitions of property, plant and equipment

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Property, plant and equipment	Associates	\$ 16,059	\$ 104,894
	Others	<u>-</u>	<u>6,940</u>
		<u>\$ 16,059</u>	<u>\$ 111,834</u>

### 10) Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain of Disposal (Included in Other Income)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Others	<u>\$ -</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ 596</u>

### 11) Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Acquisitions of right-of-use assets	Associates	\$ 8,989	\$ 1,917

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease liabilities	Associates	<u>\$ 8,166</u>	<u>\$ 1,373</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Interest expense	Associates	<u>\$ 59</u>	<u>\$ 12</u>

The outstanding payables to related parties were not guaranteed and would be paid in cash. The Group received from some related parties were guaranteed. For the years ended December 31, 2021 and 2020, no loss allowance was recognized for trade receivables from related parties.

The prices and payment terms for the Group's transactions with related parties are the same as that for third parties. For lease contracts entered into with related parties, rental prices were determined by reference to the market, and had general payment terms.

The Group leased right-of-use of cabinet racks and company vehicles from its associates in 2021 and 2020. The lease term of the two contracts was 1 to 3 years; the rental is based on similar asset's market rental rate, and fixed lease payments are paid monthly.

The Group signed a contract with Mitsubishi Motors Corporation, refer to Note 32 for the details.

# Financial Overview

## c. Remuneration of key management personnel

The remuneration of directors and key executives for the years ended December 31, 2021 and 2020 was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 121,983	\$ 103,818
Post-employment benefits	<u>1,188</u>	<u>1,700</u>
	<u><b>\$ 123,171</b></u>	<u><b>\$ 105,518</b></u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 31. ASSETS PLEDGED AS COLLATERAL

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 507,522	\$ 508,913
Pledged deposits (Note 9)	240,318	180,486
Investment properties	<u>-</u>	<u>52,323</u>
	<u><b>\$ 747,840</b></u>	<u><b>\$ 741,722</b></u>

## 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- The Group issued guarantee notes amounting to \$4,409,440 thousand which had been pledged as collateral for loans from banks and other financial institutions; unused letters of credit amounted to \$34,692 thousand.
- The Group entered into an agreement with Mitsubishi Motors Corp. as stated below:

<b>Project</b>	<b>Content</b>	<b>Date of Agreement/ Expiry Date</b>	<b>Agreement Price</b>	<b>Payment Method</b>
Technical royalty	Technical cooperation and manufacture of Delica and other car models	2006.3.1-2025.4.8	Royalty was agreed to be the basis of the FOB price of automobiles sold and manufactured parts repaired	Paid every 6 months within 90 days
Technical royalty	Technical cooperation and manufacture of Outlander and other car models	2005.7.1-2025.9.7	Royalty was agreed to be the fixed amount of automobiles sold per unit and the basis of the FOB price of manufactured parts repaired	Paid every 6 months within 60-90 days

## Financial Overview

- c. According to Rule No. 1090261416 issued by the Land Administration Department of the Taoyuan City Government on October 19, 2020, the Group's land in Dayuan which was recognized under property, plant and equipment is within the scope of the "Taoyuan Aerotropolis Urban Plan First Stage in Expropriated Zone". The land will be expropriated, and the Group will obtain approval offset land compensation. The related compensation and relief fund the Group received as a result of the aforementioned land expropriation case amounted to \$254,212 thousand in September 2021. The Group has not completed its obligation to move out from the existing buildings and land and has not completed the related handover procedures with the Taoyuan City Government. As a result, the related compensation and relief payments should be recognized in advance receipts (included in other current liabilities).
- d. The status of endorsements/guarantees was listed in Table 2.

### 33. OTHER ITEMS

The Group's operating revenue was affected by the impact of the COVID-19 pandemic which has evolved globally and is currently impacting Taiwan. Based on the information available as of the balance sheet date, the Group considered the economic implications of the pandemic when making its critical accounting estimates; refer to Note 5.

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

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 290,318	4.344	\$ 1,261,141
USD	23,969	27.68	663,468
JPY	542,187	0.2405	130,396
Non-monetary items			
Investments accounted for using the equity method			
RMB	986,967	4.344	4,287,385
EUR	111,795	31.32	3,501,433
<u>Foreign currency liabilities</u>			
Monetary items			
JPY	450,201	0.2405	108,273
RMB	23,342	4.344	101,399

# Financial Overview

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 327,164	4.377	\$ 1,431,995
USD	19,214	28.48	547,208
JPY	717,026	0.2763	198,114
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,071,073	4.377	4,688,087
EUR	86,458	35.02	3,027,742
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	44,915	4.377	196,592
JPY	646,121	0.2763	178,523

For the years ended December 31, 2021 and 2020, net foreign exchange gains (losses) were \$(10,043) thousand and \$25,233 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.

## 35. SEPARATELY DISCLOSED ITEMS

Except for those listed in Notes 7, 11 and 29, and Tables 1 to 10, there were no other separately disclosed items.

## 36. 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.

	<u>Segment Revenues</u>		<u>Segment Income or Loss</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Vehicle manufacturing	\$ 29,363,550	\$ 28,738,848	\$ 5,415,531	\$ 3,805,640
Channel	2,115,411	2,530,190	39,684	20,012
Others	45,646	53,825	(7,844)	(7,109)
Adjustment and eliminations	(399,208)	(448,263)	(1,040)	(828)
	<u>\$ 31,125,399</u>	<u>\$ 30,874,600</u>	5,446,331	3,817,715
Administration cost and remunerations to directors			(386,024)	(321,410)
Other non-operating income and expenses, net			<u>17,969</u>	<u>256,161</u>
Profit before income tax			<u>\$ 5,078,276</u>	<u>\$ 3,752,466</u>

## Financial Overview

Intersegment transactions are determined by reference to market prices.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and remunerations to directors, interest income, dividend income, other income, expected credit gain (loss), interest expense, other expense, gain (loss) on disposal of investments, net foreign exchange gain (loss), gain (loss) 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 the purpose of resource allocation and assessment of segment performance.

# Financial Overview

TABLE 1

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance	Actual Amount Borrowed (Note 5)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	China Motor Corporation	Sino Diamond Motors	Other receivables	Yes	\$ 600,000	\$ 600,000	\$ 600,000	0.9	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,280,164	\$ 8,534,426
1	Dongguan Huayi (Note 4)	Dongguan Huashun	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
2	Dongguan Huashun (Note 4)	Dongguan Huayi	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
3	Tianjin Hwarui (Note 4)	Tianjin Hwahong	Other receivables	Yes	43,440 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
		Dongguan Huayi	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
		Dongguan Huashun	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
4	Tianjin Hwahong (Note 4)	Tianjin Hwarui	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
		Dongguan Huayi	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426
		Dongguan Huashun	Other receivables	Yes	86,880 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,280,164	8,534,426

Note 1: Converted at the exchange rate of RMB1:NT\$4.344 as of December 31, 2021.

Note 2: The amount is 3% of the total shareholders' equity of the latest financial statements of China Motor Corporation.

Note 3: The amount is 20% of the total shareholders' equity of the latest financial statements of China Motor Corporation.

Note 4: Dongguan Huayi, Dongguan Huashun, Tianjin Hwarui and Tianjin Hwahong resolved to terminate the credit line to subsidiaries on June 30, 2021.

Note 5: Eliminated during the preparation of the consolidated financial statements.



TABLE 2

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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 Period (Note 1)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	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 Subsidiary on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China
		Name	Relationship									
1	Sino Diamond Motors (Note 2)	Dongguan Huayi Tianjin Hwarui	Subsidiary Subsidiary	20% of the Corporation's issued capital, \$1,107,241 thousand 20% of the Corporation's issued capital, \$1,107,241 thousand	\$ 86,880 (RMB 20,000 thousand) 86,880 (RMB 20,000 thousand)	\$ - -	\$ - -	\$ - -	- -	50% of the Corporation's issued capital, \$2,768,102 thousand 50% of the Corporation's issued capital, \$2,768,102 thousand	No No	Yes Yes

Note 1: Converted at the exchange rate of RMB1:NT\$4.344 as of December 31, 2021.

Note 2: Sino Diamond Motors resolved to waive the endorsements/guarantee limit to its subsidiaries on June 30, 2021.

## Financial Overview

# Financial Overview

TABLE 3

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
China Motor Corporation	Beneficiary certificates	-	Financial assets at fair value through profit or loss - current	3,160	\$ 50,016	-	\$ 50,016	
	Fubon Chi Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,703	30,443	-	30,443	
	Fuh Hwa Smart Energy Bond Fund II	-						
	Shares							
	Shiye Shiyang Mechanical Industrial	Corporate director	Financial assets at fair value through profit or loss - non-current	9,009	605,042	10.00	605,042	
	Myson Century, Inc.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	2,352	14,397	3.92	14,397	
	Taiwan Aerospace	-	Financial assets at fair value through other comprehensive income - non-current	811	11,554	0.60	11,554	
	NORM Pacific Automation Corp.	-	Financial assets at fair value through other comprehensive income - non-current	128	1,672	0.45	1,672	
	Carnival	-	Financial assets at fair value through other comprehensive income - non-current	95	1,401	0.05	1,401	
	Com2B (Cayman) Corp.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	-	4.44	-	
Alliance Investment & Management	Principal guaranteed notes							
	President Securities 100% Principal Guaranteed Note	-	Financial assets at amortized cost - current	-	43,314	-	-	
	Corporate bonds							
	Evergreen Marine Corporation	-	Financial assets at amortized cost - non-current	-	99,910	-	-	
	YAGEO Corporation	-	Financial assets at amortized cost - non-current	-	99,796	-	-	
	Shares							
	Samuel (Cayman) Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,327	86,623	15.07	86,623	
	CARPLUS Auto Leasing Corporation	-	Financial assets at fair value through profit or loss - non-current	3,248	71,714	3.45	71,714	
	T-Car Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,275	24,046	4.05	24,046	

(Continued)

# Financial Overview

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
	Solidlite Corporation	-	Financial assets at fair value through other comprehensive income - non-current	789	\$ 6,810	3.60	\$ 6,810
	Site information service	-	Financial assets at fair value through other comprehensive income - non-current	65	2,879	0.54	2,879
	Phalanx Biotech Group	-	Financial assets at fair value through other comprehensive income - non-current	216	2,039	0.33	2,039
	Preference shares Rock Financial Risk Service Co., Ltd.	-	Financial assets at amortized cost - non-current	-	6,371	-	-
Hwa Lin	Principal guaranteed notes President Securities 100% Principal Guaranteed Note	-	Financial assets at amortized cost - current	-	132,313	-	-
China Engine	Beneficiary certificates Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,880	80,135	-	80,135
Ling Wei	Beneficiary certificates Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,441	39,029	-	39,029
Kian Shen	Beneficiary certificates FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	1,293	20,002	-	20,002
Brilliant Insight International	Beneficiary certificates Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	731	10,001	-	10,001

Note: Refer to Tables 6 and 7 for the information of investments in subsidiaries and associates.

(Concluded)

# Financial Overview

TABLE 4

## 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, 2021  
(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 (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
China Motor Corporation ("CMC")	Fortune Motors	Investee accounted for using the equity method	Sale	\$ (18,193,402)	(66)	Payment collected 15-90 working days after the goods have been delivered	\$	-	\$ 988,259	57	
	Shung Ye Motor	Investee accounted for using the equity method	Sale	(3,398,351)	(12)	Payment collected 15-75 working days after the goods have been delivered	-	-	249,137	14	
	Mitsubishi Motors Corp.	Director of CMC	Purchase	831,380	5	Payment made 7 working days after the goods are shipped	-	-	(79,706)	(3)	
	Kian Shen (Note 2)	Subsidiary	Purchase	676,103	4	Payment made within 45 days after the month of delivery	-	-	(95,108)	(4)	
	Uni Auto Parts Manufacture	Investee accounted for using the equity method	Purchase	671,633	4	Payment made within 45 days after the month of delivery	-	-	(121,057)	(5)	
	ROC-Spicer	Investee accounted for using the equity method	Purchase	517,583	3	Payment made within 45 days after the month of delivery	-	-	(101,305)	(4)	
	Shye Shiyang Mechanical Industrial COC (Note 2)	Director of Shye Shiyang Mechanical Industrial Subsidiary	Purchase	315,838	2	Payment made within 45 days after the month of delivery	-	-	(56,226)	(2)	
	Yue Ki Industrial	Investee accounted for using the equity method	Purchase	307,855	2	Payment made within 45 days after the month of delivery	-	-	(67,528)	(3)	
	Uni-Calsonic	Investee accounted for using the equity method	Purchase	184,603	1	Payment made within 45 days after the month of delivery	-	-	(29,395)	(1)	
			Purchase	148,123	1	Payment made within 45 days after the month of delivery	-	-	(25,608)	(1)	
Sino Diamond Motors	Shung Ye Motor	Investee accounted for using the equity method	Sale	(949,666)	(52)	Payment collected 7-45 days after goods have been delivered	-	-	15,963	54	
	Fortune Motors	Investee accounted for using the equity method	Sale	(645,921)	(36)	Payment collected 15-45 days after goods have been delivered	-	-	3,765	13	
	Mitsubishi Motors Corp.	Director of CMC	Purchase	409,419	56	Payment made 7 working days after the goods are shipped	-	-	(320)	-	
Kian Shen	China Motor Corporation (Note 2)	Parent company	Sale	(676,103)	(53)	Payment collected within 45 days after the month of delivery	-	-	95,108	51	
	Yue Ki Industrial	Investee accounted for using the equity method	Purchase	175,748	17	Net 95 days from the end of the month of when invoice is issued	-	-	(67,992)	(26)	

(Continued)

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
COC	China Motor Corporation (Note 2)	Parent company	Sale	\$ (307,855)	(26)	Payment collected within 45 days after the month of delivery	\$ -	-	\$ 67,528	25	
	Yulon	Investee accounted for using the equity method	Sale	(255,416)	(22)	Payment collected within 45 days after the month of delivery	-	-	43,989	16	
China Engine	Yulon	Investee accounted for using the equity method	Sale	(168,429)	(77)	Payment collected within 45 days after the month of delivery	-	-	28,125	95	

Note 1: The proportion of the individual company's total purchases (sales) or total receivables (payables).

Note 2: Eliminated during the preparation of the consolidated financial statements.

(Concluded)

# Financial Overview

TABLE 5

## 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, 2021  
(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 Shung Ye Motor	Investee accounted for using the equity method Investee accounted for using the equity method	\$ 988,259 249,137	21.29 13.27	\$ - -	- -	\$ 988,259 249,137	\$ - -

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 6

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%			
China Motor Corporation	Yulon	Miaoli, Taiwan	Manufacture and sale of vehicles	\$ 3,833,585	\$ 3,835,585	166,714,441	16.80	\$ 4,715,516	\$ 750,473	Investee accounted for using the equity method
	Kian Shen (Note 8)	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	32,201,367	43.87	306,767	134,484	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	2,132,826	2,132,826	132,116,729	41.93	1,302,632	546,165	Investee accounted for using the equity method
	Sino Diamond Motors (Note 8)	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	2,192,724	2,192,724	151,067,030	100.00	92,079	90,702	Subsidiary
	Tokio Marine Nwva Insurance (Note 1)	Taipei, Taiwan	Property insurance	955,941	955,941	61,510,524	20.57	1,227,752	254,612	Investee accounted for using the equity method
	Alliance Investment & Management (Note 8)	Taipei, Taiwan	Investment	1,200,030	1,200,030	183,000,000	100.00	11,102	11,102	Subsidiary
	Daimler Vans Hong Kong Ltd.	Hong Kong	Investment	2,011,363	2,011,363	46,565,750	32.45	3,799,262	1,232,861	Investee accounted for using the equity method
	ROC-Spicer	Taoyuan, Taiwan	Manufacture and sales of automobile parts	683,032	683,032	147,990	29.60	553,292	49,947	Investee accounted for using the equity method
	CMI (Note 8)	Samoa	Investment	1,402	1,402	40,000	100.00	249,510	(240,624)	Subsidiary
	COC (Note 8)	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle	412,125	412,125	33,564,678	49.76	822,785	58,892	Subsidiary
Kian Shen	Hwa Wei (Note 8)	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40,000	40.00	164,977	(160,400)	Subsidiary
	Uni Auto Parts Manufacture	Miaoli, Taiwan	The production of mold, fixture and gauge of vehicle	109,813	109,813	13,032,137	15.00	358,482	1,561	Investee accounted for using the equity method
	Shung Ye Motor (Notes 2 and 4)	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	391,142	391,142	29,667,632	39.98	432,326	33,105	Investee accounted for using the equity method
	China Engine (Note 8)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	625,978	625,978	87,999,000	52.10	437,354	(12,403)	Subsidiary
	Uni-Calsonic	Miaoli, Taiwan	Manufacture and sale of automobile parts	105,806	105,806	6,083,525	31.20	138,153	16,471	Investee accounted for using the equity method
	Yue Ki Industrial Co., Ltd.	Hsinchu, Taiwan	Manufacture and sales of car components	109,396	109,396	2,936,222	15.08	98,632	(3,262)	Investee accounted for using the equity method
	Tai-Ya Investment	Hong Kong	Investment	81,005	79,505	2,288,459	29.60	69,103	59	Investee accounted for using the equity method
	Hwa Chung Motors (Notes 7 and 8)	Taoyuan, Taiwan	Manufacture and sale of vehicles	328,900	328,900	8,790,000	100.00	81,616	2,921	Subsidiary
	Kian Shen Investment (Note 8)	British Virgin Islands	Investment	328,888	328,888	10,296,105	100.00	4,266,538	-	Subsidiary
	KSHK (Note 8)	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907,000	100.00	RMB 952,886 thousand	-	Subsidiary
Alliance Investment & Management	Greentrans Investment (Note 8)	Samoa	Investment	344,369	344,369	11,200,000	100.00	211,089	-	Subsidiary
	Hua-Yu (Note 8)	Samoa	Overseas investment on production and service industries	1,489,334	1,489,334	36,942,942	100.00	867,762	-	Subsidiary
Sino Diamond Motors	China Engine (Note 8)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	11,000	11,000	1,000	-	5	56,473	Subsidiary
	Brilliant Insight International (Note 8)	Taoyuan, Taiwan	Consulting and service	22,000	22,000	2,200,000	100.00	22,680	-	Subsidiary
Fortune Motors	Shung Ye Motor (Note 3)	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	180	180	12,368	0.02	235	-	Investee accounted for using the equity method
	Fortune Motors	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	24	24	1,000	-	22	-	Investee accounted for using the equity method
Looplus Service Technology Inc.		Hsinchu, Taiwan	Information software service industry and leasing	31,984	-	2,036,143	42.77	31,180	-	Investee accounted for using the equity method

(Continued)

## Financial Overview

# Financial Overview

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%			
Sino Diamond Motors	Ling Wei (Notes 6 and 8) Greentrans (Notes 6 and 8)	Taipei, Taiwan Taipei, Taiwan	Sales of second-hand vehicle Sales of motorcycle and parts	\$ 68,780 8,561	\$ - -	6,308,397 1,000,000	100.00 100.00	\$ 66,883 10,460	\$ - 43	- Subsidiary - Subsidiary
Hua-Yu	Hwa-Lin (Note 8)	British Virgin Islands	Overseas investment on production and service industries	US\$ 37,229 thousand	US\$ 37,229 thousand	33,392,942	100.00	781,115	58,251	- Subsidiary
China Engine	Advance Power Investment (Notes 5 and 8)	Mauritius	Reinvestment and sales	-	59,456	-	-	-	-	- Subsidiary
Brilliant Insight International	Looplus Service Technology Inc.	Hsinchu, Taiwan	Information software service industry and leasing	16	-	1,000	0.02	14	(8,009)	- Investee accounted for using the equity method
CMI	Hwa Wei (Note 8)	British Virgin Island	Overseas investment on production and service industries	1,428,503	1,428,503	60,000	60.00	247,465	(400,999)	- Subsidiary
Hwa Chung Motors	Ling Wei (Notes 6 and 8) Greentrans (Notes 6 and 8)	Taipei, Taiwan Taipei, Taiwan	Sales of second-hand vehicle Sales of motorcycle and parts	- -	31,000 10,000	- -	- -	- -	2,935 43	- Subsidiary - Subsidiary
COC	Y. M. Hi-Tech (Note 8)	Taoyuan, Taiwan	Steel cutting	46,250	46,250	4,250,000	85.00	78,057	14,323	- Subsidiary

Note 1: During preparation of the consolidated financial statements, price making of \$75,455 thousand from intra-group transaction had been eliminated.

Note 2: During preparation of the consolidated financial statements, loss on disposal of \$22,538 thousand from intra-group transaction had been eliminated.

Note 3: During preparation of the consolidated financial statements, gain on disposal of \$31 thousand from intra-group transaction had been eliminated.

Note 4: During preparation of the consolidated financial statements, sidestream transaction of \$1,210 thousand had been eliminated

Note 5: The Group's board of directors resolved to dissolve Advance Power Investment on December 10, 2020 and the annulment was completed in December 2021.

Note 6: In November 2021, Hwa Chung Motors fully disposed of its interest held in its subsidiaries, Greentrans and Ling Wei, to Sino Diamond Motors, and the shareholding ratio of Sino Diamond Motors' in the aforementioned companies was changed due to the reorganization of entities under common control.

Note 7: Hwa Chung Motors had been resolved to dissolve in December 2021. As of December 31, 2021, the liquidation had not been completed.

Note 8: Eliminated during the preparation of the consolidated financial statements.

(Concluded)



TABLE 7

## CHINA MOTOR CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

(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, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021 (Note 1)
					Outward	Inward						
South East (Fujian) Motor (Note 4)	Manufacture and sales of industrial automation products	\$ 8,163,840 (US\$ 138,000 thousand) and (RMB 1,000,000 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 954,960 (US\$ 34,500 thousand)	-	\$ -	\$ 954,960 (US\$ 34,500 thousand)	\$ (1,787,424)	5.525	\$ (337,452)	\$ 272,661	\$ 720,317 (US\$ 26,023 thousand)
China Engine (Fujian)	Manufacture and sales of engines and engine parts	415,200 (US\$ 15,000 thousand)	Indirect investment in mainland China through a company registered in a third region	207,600 (US\$ 7,500 thousand)	-	-	207,600 (US\$ 7,500 thousand)	(1,630)	38.03	(815)	166,584	-
Fujian Benz Automotive	Sales of industrial automation products	8,985,840 (EUR 287,000 thousand)	Indirect investment in mainland China through a company registered in a third region	1,458,447 (EUR 46,566 thousand)	-	-	1,458,447 (EUR 46,566 thousand)	7,557,562 (EUR 227,912 thousand)	16.23	1,226,224 (EUR 36,979 thousand)	3,500,073 (EUR 111,752 thousand)	1,739,889 (EUR 55,552 thousand)
Guangzhou NTN-YULON Drivetrain	Sales and manufacture of vehicles' components	346,000 (US\$ 12,500 thousand)	Indirect investment in mainland China through a company registered in a third region	138,400 (US\$ 5,000 thousand)	-	-	138,400 (US\$ 5,000 thousand)	595,170 (RMB 137,104 thousand)	17.55	238,068 (RMB 54,842 thousand)	1,803,040 (RMB 415,064 thousand)	909,112 (RMB 209,280 thousand)
Fuzhou Fushiang Motor Industrial	Sales and manufacture of vehicles' components	492,150 (US\$ 17,780 thousand)	Indirect investment in mainland China through a company registered in a third region	78,473 (US\$ 2,835 thousand)	-	-	78,473 (US\$ 2,835 thousand)	25,540 (RMB 5,883 thousand)	15.35	8,939 (RMB 2,059 thousand)	481,849 (RMB 110,922 thousand)	215,263 (RMB 49,554 thousand)
Xiangyang NTN-YULON Drivetrain	Sales and manufacture of vehicles' components	941,120 (US\$ 34,000 thousand)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	325,764 (RMB 75,044 thousand)	17.55	130,306 (RMB 30,017 thousand)	1,001,858 (RMB 230,630 thousand)	37,358 (RMB 8,600 thousand)
Xiamen King-Long Kian-Shen Frame	Sales and manufacture of vehicles' components	417,024 (RMB 96,000 thousand)	Indirect investment in mainland China through a company registered in a third region	42,267 (US\$ 1,527 thousand)	-	-	42,267 (US\$ 1,527 thousand)	(31,409) (RMB -7,235 thousand)	21.94	(15,705) (RMB -3,618 thousand)	192,336 (RMB 44,276 thousand)	-
Beijing NTN-SEOHAN Driveshaft (Note 5)	The assembling and extra work of transmission shafts and other parts	166,080 (US\$ 6,000 thousand)	Indirect investment in mainland China through a company registered in a third region	14,947 (US\$ 540 thousand)	-	-	14,947 (US\$ 540 thousand)	-	-	-	-	-
Jiangsu Greentrans Automotive Parts (Note 8)	Manufacture and sales of parts of electronic motorcycles	310,016 (US\$ 11,200 thousand)	Indirect investment in mainland China through a company registered in a third region	310,016 (US\$ 11,200 thousand)	-	-	310,016 (US\$ 11,200 thousand)	(5,090)	100.00	(5,090)	211,076	-
Fujian Spicer	Manufacture of vehicles' key components, drive axle assembly and engine parts series products	889,677 (RMB 204,806 thousand)	Direct investment in mainland China	299,082 (US\$ 10,805 thousand)	-	-	299,082 (US\$ 10,805 thousand)	404,665	29.00	117,353	381,341	196,683 (RMB 45,277 thousand)

(Continued)

## Financial Overview

# Financial Overview

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, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021 (Note 1)
					Outward	Inward						
Shenyang Spicer	Manufacture and sale of automobile transmission, mechanical transmission, shafts and components	\$ 373,267 (RMB 85,927 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 72,245 (US\$ 2,610 thousand)	\$ 1,495 (US\$ 54 thousand)	-	\$ 73,740 (US\$ 2,664 thousand)	\$ 2,354 (US\$ 84 thousand)	20.67	\$ 487 (US\$ 17 thousand)	\$ 70,871 (US\$ 2,560 thousand)	\$ -
Fujian Rui Hua (Note 8)	Consultation and services	94,112 (US\$ 3,400 thousand)	Indirect investment in mainland China through a company registered in a third region	94,112 (US\$ 3,400 thousand)	-	-	94,112 (US\$ 3,400 thousand)	(1,777)	100.00	(1,777)	86,610	-
Tianjin Hwarui (Notes 7 and 8)	Sales and maintenance of vehicle and parts	221,994 (US\$ 8,020 thousand)	Indirect investment in mainland China through a company registered in a third region	214,824 (US\$ 7,761 thousand)	-	-	214,824 (US\$ 7,761 thousand)	(25,409)	100.00	(25,409)	171,727	-
Dongguan Huayui (Notes 6 and 8)	Sales and maintenance of vehicle and parts	123,176 (US\$ 4,450 thousand)	Indirect investment in mainland China through a company registered in a third region	116,727 (US\$ 4,217 thousand)	-	-	116,727 (US\$ 4,217 thousand)	27,771	100.00	27,771	42,028	-
Dongguan Huashun (Notes 6 and 8)	Sales of vehicle and parts	108,600 (RMB 25,000 thousand)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	27,778 (RMB 6,399 thousand)	100.00	27,778 (RMB 6,399 thousand)	40,986 (RMB 9,435 thousand)	-
Tianjin Hwahong (Notes 7 and 8)	Sales of vehicle and parts	-	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	(1,150) (RMB -265 thousand)	100.00	(1,150) (RMB -265 thousand)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,851,904 (US\$122,596 thousand and EUR46,566 thousand)	\$5,775,348 (US\$193,409 thousand and EUR13,467 thousand)	\$25,603,278

Note 1: Converted at the exchange rates on December 31, 2021: US\$1=NT\$27.68, RMB1=NT\$4.344, EUR1=NT\$31.32.

Note 2: Converted at the average exchange rates of the year ended December 31, 2021: US\$1=NT\$28.009, RMB1=NT\$4.341, EUR1=NT\$33.16.

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: During preparation of the consolidated financial statements, the unrealized profit of \$12,283 thousand had been eliminated.

Note 5: Beijing NTN-SFOHAN Driveshaft was disposed of in February 2021. The Group had applied to the Investment Commission, MOEA for a decrease in the amount of investments in mainland China on March 30, 2021 and received authorization letter of MOEAUC-Second No. 11000085360 on April 15, 2021.

Note 6: In December 2020, Dongguan Huayui and Dongguan Huashun resolved to dissolve their respective companies. The liquidation of Dongguan Huashun had been completed in February 2022. As of December 31, 2021, the liquidation of Dongguan Huayui had not been completed.

Note 7: In July 2021, Tianjin Hwarui and Tianjin Hwahong resolved to dissolve their respective companies. The liquidation of Tianjin Hwahong had been completed in December 2021. As of December 31, 2021, the liquidation of Tianjin Hwarui had not been completed.

Note 8: Eliminated during the preparation of the consolidated financial statements.

(Concluded)

TABLE 8

**CHINA MOTOR CORPORATION AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(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	Sino Diamond Motors	Subsidiary	Other receivables	\$ 600,000	The prices and payment terms were based on agreements.	1.10
				Other operating revenue	174,038	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.56
		Kian Shen	Subsidiary	Cost of goods sold	676,103	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	2.17
		COC	Subsidiary	Cost of goods sold	307,855	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.99

Note 1: This table includes transactions for amounts over one hundred million.

Note 2: Eliminated during the preparation of the consolidated financial statements.

**TABLE 9**

## **CHINA MOTOR CORPORATION**

### **INFORMATION OF MAJOR SHAREHOLDERS DECEMBER 31, 2021**

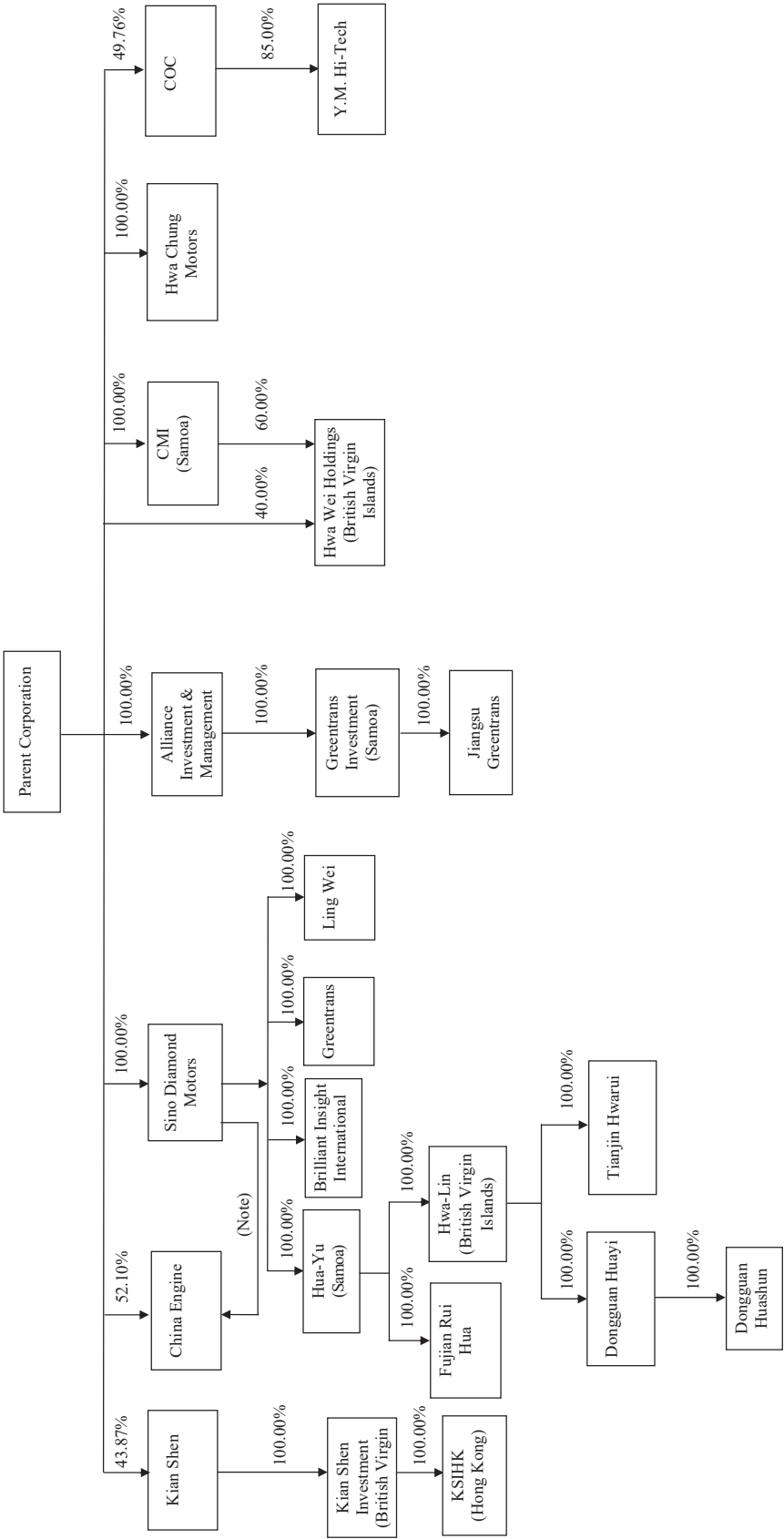
Name of Major Shareholder	Shares	
	Number of Shares	Ownership Percentage (%)
Tai Yuen Textile., Ltd.	139,435,815	25.19
Mitsubishi Motors Corp.	77,507,309	14.00
Yulon Motor Co., Ltd.	44,592,177	8.05
Diamond Hosiery & Thread Co., Ltd.	37,438,652	6.76

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

TABLE 10

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FRAMEWORK OF INTERCOMPANY INVESTMENT RELATIONSHIPS AND PERCENTAGE OF SHARES HELD  
DECEMBER 31, 2021



Note: Since Sino Diamond Motors only holds 1 thousand shares of China Engine, the percentage of ownership is not disclosed.

## VI. Individual Financial Statements and Appendix

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
China Motor Corporation

#### Opinion

We have audited the accompanying financial statements of China Motor Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's financial statements for the year ended December 31, 2021 is stated as follows:

#### Revenue Recognition of Domestic Sales of Four-wheeled Vehicles

The revenue of the Company from domestic sales of four-wheeled vehicles are material to its financial statements. Since the sales of four-wheeled vehicles are strongly affected by the economy, we identified the occurrence of revenue recognition from domestic sales of four-wheeled vehicles as a key audit matter.

# Financial Overview

Our audit procedures performed in respect of revenue recognition included the followings:

- We discussed with management to obtain an understanding of the accounting policy for recognizing revenue coming from domestic sales of four-wheeled vehicles and determined that such policy was appropriate and consistently applied.
- We obtained an understanding of the internal controls on revenue recognition of domestic sales of four-wheeled vehicles, evaluated the design of the controls and tested the operating effectiveness of such controls. We also verified the authenticity of sales transaction-related documentary evidence.
- We selected samples, checked the relevant receipts and confirmed that revenue from the domestic sales of four-wheeled vehicles was recognized when the control of the goods has been transferred to the customer and the performance obligations have been satisfied.

## **Other Matter**

We did not audit the financial statements as of and for the years ended December 31, 2021 and 2020 of some of the Corporation's investments accounted for using the equity method, namely Daimler Vans Hong Kong Ltd., Shung Ye Motors Corporation, and Uni Auto Parts Manufacture Co., Ltd., but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for these investees in the Corporation's accompanying financial statements, is based solely on the reports of the other auditors. The aforementioned investments accounted for using the equity method constituted NT\$4,292,241 thousand, representing 8.8%, and NT\$3,782,477 thousand, representing 7.8%, of the Corporation's total assets as of December 31, 2021 and 2020, respectively. The Corporation's share of comprehensive income of the aforementioned investments accounted for using the equity method amounted to NT\$1,287,532 thousand and NT\$802,862 thousand for the years ended December 31, 2021 and 2020, respectively, which accounted for 29.4% and 23.7% of the Corporation's total comprehensive income, respectively.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Corporation's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



# Financial Overview

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ya-Ling Wong and Shiow-Ming Shue.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2022

## 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.*

# Financial Overview

## CHINA MOTOR CORPORATION

### BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,269,006	15	\$ 6,706,144	14
Financial assets at fair value through profit or loss (Notes 4 and 7)	81,072	-	1,026,314	2
Current financial assets at amortized cost (Notes 4, 9, 10 and 28)	206,635	1	147,159	-
Financial assets for hedging (Notes 4 and 11)	59,612	-	118,796	-
Notes and accounts receivable, net (Notes 4, 12 and 21)	378,396	1	456,134	1
Trade receivables from related parties (Notes 4, 21 and 27)	1,365,379	3	1,140,590	3
Other receivables (Notes 4 and 27)	635,583	1	717,256	2
Inventories (Notes 4 and 13)	3,076,385	6	3,010,241	6
Prepayments (Note 27)	632,872	1	1,619,763	3
Other current assets (Notes 4 and 23)	236,824	1	376,064	1
Total current assets	13,941,764	29	15,318,461	32
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 4 and 7)	605,042	1	603,040	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	29,024	-	43,540	-
Financial assets at amortized cost (Notes 4, 9 and 10)	540,096	1	534,771	1
Investments accounted for using the equity method (Notes 4 and 14)	27,733,347	57	26,211,018	54
Property, plant and equipment (Notes 4, 15, 22 and 27)	3,958,483	8	4,206,695	9
Investment properties (Notes 4 and 17)	876,068	2	886,585	2
Intangible assets under development (Notes 4 and 22)	438,039	1	373,697	1
Deferred tax assets (Notes 4 and 23)	301,983	1	271,592	-
Other non-current assets (Notes 4, 16 and 27)	109,724	-	63,712	-
Total non-current assets	34,591,806	71	33,194,650	68
<b>TOTAL</b>	<b>\$ 48,533,570</b>	<b>100</b>	<b>\$ 48,513,111</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,561,629	3	\$ 2,093,990	4
Trade payables to related parties (Note 27)	719,177	2	919,112	2
Other payables (Note 18)	2,073,337	4	2,030,739	4
Current tax liabilities (Notes 4 and 23)	358,283	1	238,526	-
Other current liabilities (Notes 4, 7, 11, 16 and 27)	169,756	-	251,223	1
Total current liabilities	4,882,182	10	5,533,590	11
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 23)	339,509	1	262,011	1
Net defined benefit liabilities (Notes 4 and 19)	601,319	1	553,119	1
Other non-current liabilities (Notes 4, 16 and 27)	38,430	-	41,001	-
Total non-current liabilities	979,258	2	856,131	2
Total liabilities	5,861,440	12	6,389,721	13
<b>EQUITY (Notes 4, 11 and 20)</b>				
Ordinary shares	5,536,203	12	5,536,203	11
Capital surplus	6,421,515	13	6,411,778	13
Retained earnings				
Legal reserve	9,581,001	20	9,257,157	19
Special reserve	1,028,359	2	1,028,359	2
Unappropriated earnings	20,582,748	42	20,544,970	43
Total retained earnings	31,192,108	64	30,830,486	64
Other equity				
Exchange differences on translating the financial statements of foreign operations	(826,741)	(2)	(926,661)	(2)
Unrealized gain on investments in financial assets at fair value through other comprehensive income	377,436	1	264,666	1
Gain (loss) on hedging instruments	(28,391)	-	6,918	-
Total other equity	(477,696)	(1)	(655,077)	(1)
Total equity	42,672,130	88	42,123,390	87
<b>TOTAL</b>	<b>\$ 48,533,570</b>	<b>100</b>	<b>\$ 48,513,111</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

# Financial Overview

## CHINA MOTOR CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)				
Net sales	\$ 27,196,522	99	\$ 26,525,771	98
Other operating revenue	<u>408,679</u>	<u>1</u>	<u>436,277</u>	<u>2</u>
Total operating revenue	<u>27,605,201</u>	<u>100</u>	<u>26,962,048</u>	<u>100</u>
OPERATING COSTS (Notes 13, 22 and 27)				
Cost of goods sold	23,094,901	84	22,739,321	84
Other operating costs	<u>174,959</u>	<u>-</u>	<u>134,356</u>	<u>1</u>
Total operating costs	<u>23,269,860</u>	<u>84</u>	<u>22,873,677</u>	<u>85</u>
GROSS PROFIT	4,335,341	16	4,088,371	15
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(640)</u>	<u>-</u>	<u>376</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,334,701</u>	<u>16</u>	<u>4,088,747</u>	<u>15</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	365,701	1	311,961	1
General and administrative expenses	704,172	3	603,402	2
Research and development expenses	<u>1,390,782</u>	<u>5</u>	<u>1,551,518</u>	<u>6</u>
Total operating expenses	<u>2,460,655</u>	<u>9</u>	<u>2,466,881</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>1,874,046</u>	<u>7</u>	<u>1,621,866</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries, associates and joint ventures (Notes 4 and 14)	2,884,019	10	1,693,020	6
Interest income (Notes 4 and 27)	53,272	-	51,608	-
Other income (Notes 4 and 27)	75,167	-	48,943	-
Net foreign exchange gain	18,787	-	33,389	-
Gain (loss) on financial instruments at fair value through profit or loss (Note 4)	(4,750)	-	3,189	-
Expected credit gain (loss) (Notes 4 and 10)	(188)	-	32,518	-
Other expense (Notes 4 and 27)	(4,395)	-	(4,387)	-
Loss on disposal of investments (Notes 4 and 14)	-	-	(1,393)	-
Impairment loss (Notes 4, 15 and 22)	<u>(147,123)</u>	<u>-</u>	<u>(100,433)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,874,789</u>	<u>10</u>	<u>1,756,454</u>	<u>6</u>

(Continued)

# Financial Overview

## CHINA MOTOR CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
PROFIT BEFORE INCOME TAX	\$ 4,748,835	17	\$ 3,378,320	12
INCOME TAX EXPENSE (Notes 4 and 23)	<u>567,000</u>	<u>2</u>	<u>101,000</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>4,181,835</u>	<u>15</u>	<u>3,277,320</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(51,163)	-	(22,010)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20)	3,852	-	872	-
Gain (loss) on the hedging instruments (Notes 11 and 20)	(29,000)	-	9,919	-
Share of other comprehensive income of subsidiaries and associates (Notes 14 and 20)	161,883	1	42,482	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	16,033	-	2,418	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 14 and 20)	<u>99,920</u>	<u>-</u>	<u>71,530</u>	<u>1</u>
Other comprehensive income for the year (net of income tax)	<u>201,525</u>	<u>1</u>	<u>105,211</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,383,360</u>	<u>16</u>	<u>\$ 3,382,531</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 7.67</u>		<u>\$ 6.01</u>	
Diluted	<u>\$ 7.66</u>		<u>\$ 6.00</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

(Concluded)

CHINA MOTOR CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares		Retained Earnings			Other Equity				Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on the Hedging Instruments	
BALANCE AT JANUARY 1, 2020	553,620	\$ 5,536,203	\$ 6,414,118	\$ 9,257,157	\$ 1,029,654	\$ 17,306,526	\$ (998,191)	\$ 216,562	\$ (19,968)	\$ 38,742,061
Reversal of special reserve	-	-	-	-	(1,295)	1,295	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(2,340)	-	-	(7,532)	-	-	-	(9,872)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,277,320	-	-	-	3,277,320
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(27,221)	71,530	42,686	18,216	105,211
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	3,250,099	71,530	42,686	18,216	3,382,531
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	(5,418)	-	5,418	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	8,670	8,670
BALANCE AT DECEMBER 31, 2020	553,620	5,536,203	6,411,778	9,257,157	1,028,359	20,544,970	(926,661)	264,666	6,918	42,123,390
Appropriation of the 2020 earnings	-	-	-	323,844	-	(323,844)	-	-	-	-
Legal reserve	-	-	-	-	-	(3,875,342)	-	-	-	(3,875,342)
Cash dividends distributed by the Corporation	-	-	-	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	9,737	-	-	10,104	-	-	-	19,841
Net profit for the year ended December 31, 2021	-	-	-	-	-	4,181,835	-	-	-	4,181,835
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(28,502)	99,920	186,297	(56,190)	201,525
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	4,153,333	99,920	186,297	(56,190)	4,383,360
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	37,315	-	(37,315)	-	-
Disposal of the investments in equity instruments as at fair value through other comprehensive income	-	-	-	-	-	36,212	-	(36,212)	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	20,881	20,881
BALANCE AT DECEMBER 31, 2021	553,620	\$ 5,536,203	\$ 6,421,515	\$ 9,581,001	\$ 1,028,359	\$ 20,582,748	\$ (826,741)	\$ 377,436	\$ (28,391)	\$ 42,672,130

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche auditors' report dated March 30, 2022)

## CHINA MOTOR CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,748,835	\$ 3,378,320
Adjustments for:		
Depreciation expense	641,287	684,760
Amortization expense	79,717	106,641
Expected credit loss reversed	(1,811)	(35,180)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	4,750	(3,189)
Interest expense	146	110
Interest income	(53,272)	(51,608)
Dividend income	(36,482)	(9,653)
Share of profit of subsidiaries, associates and joint ventures	(2,884,019)	(1,693,020)
Net loss on disposal of property, plant and equipment	2,100	1,741
Loss on disposal of investments	-	1,393
Impairment loss of non-financial assets	219,289	137,832
Unrealized (realized) gain on the transactions with associates	640	(376)
Unrealized gain on foreign currency exchange	(17,791)	(45,917)
Losses on recognition of provisions	65,302	-
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	1,045,516	(796,416)
Notes and accounts receivable	79,857	266,191
Trade receivables from related parties	(224,824)	127,302
Other receivables	469	258
Inventories	(118,356)	663,052
Prepayments	986,891	(332,086)
Other current assets	146,746	(25,685)
Accounts payable	(531,560)	(119,025)
Trade payables to related parties	(198,473)	30,332
Other payables	68,654	67,988
Other current liabilities	(151,521)	115,836
Net defined benefit liabilities	(2,963)	(95,559)
Cash generated from operations	3,869,127	2,374,042
Income tax paid	(395,600)	(119,417)
Net cash generated from operating activities	<u>3,473,527</u>	<u>2,254,625</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	(1,246,778)	(1,414,652)
Proceeds from repayment of principal of financial assets at amortized cost	1,172,399	1,685,827
Acquisition of investments accounted for using the equity method	(1,500)	(7,136)
Disposal of financial assets at fair value through other comprehensive income	18,368	-
Acquisition of property, plant and equipment	(585,004)	(751,525)
Proceeds from disposal of property, plant and equipment	32,203	17,752

(Continued)

# Financial Overview

## CHINA MOTOR CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Acquisition of investment properties	\$ (724)	\$ -
Acquisition of intangible assets	(109,106)	(58,887)
Increase in other non-current assets	(76,689)	(37,485)
Interest received	55,456	51,551
Dividends received	<u>1,658,567</u>	<u>1,292,337</u>
Net cash generated from investing activities	<u>917,192</u>	<u>777,782</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(3,667)	(2,100)
Increase (decrease) in other non-current liabilities	(5,464)	31,410
Cash dividends paid	(3,875,342)	-
Interest paid	<u>(146)</u>	<u>(110)</u>
Net cash (used in) generated from financing activities	<u>(3,884,619)</u>	<u>29,200</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	506,100	3,061,607
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,821,985</u>	<u>3,760,378</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,328,085</u>	<u>\$ 6,821,985</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2021 and 2020:

	December 31	
	2021	2020
Cash and cash equivalents in the balance sheets	\$ 7,269,006	\$ 6,706,144
Cash and cash equivalents included in financial assets for hedging	<u>59,079</u>	<u>115,841</u>
Cash and cash equivalents in the statements of cash flows	<u>\$ 7,328,085</u>	<u>\$ 6,821,985</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2022)

(Concluded)

## CHINA MOTOR CORPORATION

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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#### 1. GENERAL INFORMATION

China Motor Corporation (the “Corporation”) is principally engaged in the manufacture and sale of automobiles and its related parts and components, and the Corporation has been listed on the Taiwan Stock Exchange.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Corporation’s board of directors on March 15, 2022.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) did not have any material impact on the Corporation’s accounting policies.
- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.



# Financial Overview

As of the date the financial statements were authorized for issue, the Corporation assessed that the application of the aforementioned standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact of the application of the aforementioned standards and interpretations 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").

# Financial Overview

## 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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety 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 an 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 an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

## 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 after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 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 for 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 Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

# Financial Overview

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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the financial statements, the financial statements of the Corporation's foreign operations that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences 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 subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation 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 included in the calculation of the equity transaction but 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 progress 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. The 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 the weighted-average cost on the balance sheet date.

## f. Investments accounted for using the equity method

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

### 1) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

# Financial Overview

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, if any.

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 that constitutes a business 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 of a subsidiary that constitutes a business 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 investee's financial statements as a whole. 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.

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 had the Corporation directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements and 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. A 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 the 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 share method when investees also have investments in the Corporation (reciprocal holding).

## Financial Overview

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 an associate and a 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 capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Corporation's ownership interest is reduced due to its 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 had the investee 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 using 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.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is 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 the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and 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 had that associate 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 the Corporation 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 joint venture that are not related to the Corporation.

### g. Property, plant and equipment

Property, plant and equipment are initially measured at cost subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured 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 their intended use.

## Financial Overview

Depreciation of property, plant and equipment, except for tooling (included in machinery) which is amortized using the production unit method, is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the 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 initially measured 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

Expenditures on research activities are recognized as expenses in the period in which they are 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 such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets 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 is recognized in profit or loss.

# Financial Overview

## j. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties 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 assets may be impaired.

The 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 corresponding 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 expense or depreciation expense) 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 the Corporation 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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 categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily designated as at FVTPL, and include investments in equity instruments that do not meet the criteria of financial assets at amortized cost or investments in equity instruments at FVTOCI.

## Financial Overview

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

### ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt instruments, notes and accounts receivable (including related parties), other receivables and guarantee deposits (included in other non-current assets), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default; or
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.



# Financial Overview

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset has reached beyond the expiration date of contract unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets which are held by the Corporation is recognized in profit or loss by a reduction in their carrying amounts through a loss 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

Except for the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

# Financial Overview

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

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

## b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 3) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which 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 instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

## 1. Hedge accounting

The Corporation designates certain hedging instruments as cash flow hedges.

The effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are 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 related hedged item in the same period in which the hedged item affects profit or loss. If the hedge of a forecasted 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 included in the initial cost of the non-financial asset or non-financial liability.

The Corporation discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

# Financial Overview

## 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.

### 1) Onerous contracts

Onerous contracts are those in which the Corporation's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

### 2) Warranties

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

## n. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

### 1) Revenue from sale of goods

Revenue from sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has control over the goods and performance obligations are satisfied. Accounts receivable are recognized concurrently.

### 2) Revenue from rendering of services

Revenue from rendering of services is recognized when services are rendered.

## o. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

### 1) The Corporation as lessor

All leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as costs on a straight-line basis over the lease terms.

## Financial Overview

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

### 2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### p. Government grants

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

Government grants related to income are recognized as a reduction of the related costs or in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

# Financial Overview

## q. 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 expenses when employees have rendered services 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 liabilities are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plans.

## r. Taxation

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

### 1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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 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 or unused loss carryforwards to the extent that it is probable that taxable profit 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 recognized only to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## Financial Overview

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 profit will be available to allow all or part of the assets 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 liabilities are settled or the assets are 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 taxes for the year

Current and deferred taxes 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 taxes 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 on 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 Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash		
Cash on hand	\$ 650	\$ 650
Checking accounts and demand deposits	<u>1,828,456</u>	<u>2,177,762</u>
	<u>1,829,106</u>	<u>2,178,412</u>
Cash equivalents		
Time deposits	4,739,900	4,527,732
Repurchase agreements	<u>700,000</u>	<u>-</u>
	<u>5,439,900</u>	<u>4,527,732</u>
	<u>\$ 7,269,006</u>	<u>\$ 6,706,144</u>

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

# Financial Overview

The interest rate intervals of cash in banks and repurchase agreements at the end of the reporting period were as follows:

	December 31	
	2021	2020
Checking accounts and demand deposits	0.00%-1.00%	0.00%-1.30%
Time deposits	0.26%-0.82%	0.70%-1.065%
Repurchase agreements	0.35%	-

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

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 80,459	\$ 1,023,173
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	613	3,141
	<u>\$ 81,072</u>	<u>\$ 1,026,314</u>

### Financial assets - non-current

Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 605,042</u>	<u>\$ 603,040</u>

### Financial liabilities (included in other current liabilities)

Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 976</u>	<u>\$ -</u>

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

### December 31, 2021

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2022.02.16-2022.03.28	JPY350,000/NTD84,860
Buy	USD/NTD	2022.01.06-2022.02.14	USD8,200/NTD226,714
Sell	RMB/USD	2022.01.06-2022.02.14	RMB42,813/USD6,700

### December 31, 2020

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2021.02.25-2021.03.26	JPY300,000/NTD79,900
Sell	RMB/USD	2021.01.04-2021.01.29	RMB78,635/USD12,000

## Financial Overview

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

### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 15,798	\$ 30,370
Domestic unlisted shares	<u>13,226</u>	<u>13,170</u>
	<u>\$ 29,024</u>	<u>\$ 43,540</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

Dividends of \$446 thousand and \$644 thousand were recognized during 2021 and 2020, respectively. Those dividends are all related to investments held at the end of the reporting period.

### 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Pledged deposits (Note 28)	\$ 163,321	\$ 103,577
Principal guaranteed notes	<u>43,440</u>	<u>43,770</u>
	206,761	147,347
Less: Allowance for impairment loss	<u>(126)</u>	<u>(188)</u>
	<u>\$ 206,635</u>	<u>\$ 147,159</u>
<u>Non-current</u>		
Segregated foreign exchange deposit account for offshore funds	\$ 340,390	\$ 434,841
Bonds	<u>200,026</u>	<u>100,000</u>
	540,416	534,841
Less: Allowance for impairment loss	<u>(320)</u>	<u>(70)</u>
	<u>\$ 540,096</u>	<u>\$ 534,771</u>

- a. The rates of pledged deposits ranged from 0.78%-0.815% per annum as of December 31, 2021 and 2020.
- b. The coupon rates of principal guaranteed notes ranged from 2.50%-2.60% and 2.00% per annum as of December 31, 2021 and 2020, respectively.



# Financial Overview

- c. The National Taxation Bureau, Ministry of Finance had approved the repatriation of funds in accordance with “the Management, Utilization, and Taxation of Repatriated Offshore Funds Act” from June 2020. The funds after tax were deposited into the segregated foreign exchange deposit account (including demand deposits and time deposits). The deposit was restricted under the Act, except that a portion of the funds could be withdrawn and freely utilized or engaged in financial investments or substantive investments. The funds could be withdrawn over a period of three years and five years from the date of depositing them into the segregated foreign exchange deposit account. The rates of offshore funds ranged from 0.001%-2.50% and 0.10%-1.50% per annum as of December 31, 2021 and 2020, respectively.
- d. The coupon rates of bonds ranged from 0.47%-0.86% and 0.86% per annum as of December 31, 2021 and 2020, respectively.
- e. Refer to Note 10 for information relating to the credit risk management and impairment.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as financial assets at amortized cost.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Gross carrying amount	\$ 747,177	\$ 682,188
Less: Allowance for impairment loss	<u>(446)</u>	<u>(258)</u>
Amortized cost	<u>\$ 746,731</u>	<u>\$ 681,930</u>

The Corporation invests only in debt instruments that have higher credit ratings and low credit risk after impairment assessment. The credit ratings information is supplied by independent rating agencies. The Corporation’s exposures and its external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other publicly available information of debtors make an assessment whether there has been a significant increase in the credit risk since initial recognition.

The Corporation considers the historical probability of default and loss given default of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Corporation’s current credit risk grading mechanism is as follows:

<b>Credit Rating</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses (ECLs)</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
No rating	The bonds do not have credit rating	Lifetime ECLs - not credit-impaired

## Financial Overview

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2021

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0.00%-0.29%	\$ 747,177

December 31, 2020

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0.00%-0.43%	\$ 682,188

The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

	Credit Rating	
	Performing (12-month ECLs)	No rating (Lifetime ECLs - Not Credit- impaired)
Balance at January 1, 2021	\$ 258	\$ -
Financial assets purchased (a)	865	-
Derecognition (b)	(697)	-
Change in exchange rates or others	<u>20</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 446</u>	<u>\$ -</u>
Balance at January 1, 2020	\$ 1,864	\$ 30,912
Financial assets purchased (a)	3,768	-
Derecognition (b)	(5,404)	(30,912)
Change in exchange rates or others	<u>30</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 258</u>	<u>\$ -</u>

- a. The new investment in principal guaranteed notes of \$219,065 thousand and bonds of \$100,029 thousand, respectively during the year ended December 31, 2021, and correspondingly increased the loss allowance for investments rated as performing of \$865 thousand; the new investment in principal guaranteed notes of \$876,324 thousand during the year ended December 31, 2020, and correspondingly increased the loss allowance for investments rated as performing of \$3,768 thousand.

# Financial Overview

- b. The investments in principal guaranteed notes of \$219,180 thousand, expired and were redeemed during the year ended December 31, 2021, with consequential reductions in the loss allowance for investments rated as performing of \$697 thousand; the investments in principal guaranteed notes of \$832,464 thousand, and bonds of \$750,224 thousand, expired and were redeemed during the year ended December 31, 2020, with consequential reductions in the loss allowance for investments rated as performing of \$5,404 thousand and lifetime ECLs of \$30,912 thousand.

## 11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2021	2020
<u>Financial assets</u>		
Cash flow hedges - spot rate	\$ 59,079	\$ 115,841
Cash flow hedges - foreign exchange forward contracts	<u>533</u>	<u>2,955</u>
	<u>\$ 59,612</u>	<u>\$ 118,796</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Cash flow hedges - foreign exchange forward contracts	<u>\$ 2,532</u>	<u>\$ -</u>

The Corporation's hedging strategy is to enter into foreign exchange forward contracts and to buy foreign currency banknote at the spot rate to avoid exchange rate exposure from its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency denominated purchases. Those transactions are designated as cash flow hedges. Basis adjustments are made to the initial carrying amounts non-financial hedged items when the anticipated purchases take place.

For the hedges of highly probable forecasted purchases, the critical terms (i.e. the notional amount, period and subject) of the foreign exchange forward contracts are corresponded to their hedged items. The Corporation performs a qualitative assessment and expects that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will be systematically changed in the opposite direction in respond to movements in the underlying exchange rate.

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Corporation's own credit risk on the fair value of the foreign exchange forward contracts and foreign currency banknote, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness is expected to emerge from these hedging relationships. During the years ended December 31, 2021 and 2020, hedging instruments at fair value and transferred to initial carrying amount of hedged items are detailed in Note 20(e).

The following tables summarize the information relating to the hedges of foreign currency risk.

### December 31, 2021

Hedging Instrument	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Assets	Liabilities	
Cash flow hedges								
Forecast purchases - spot rate	JPY/NTD	JPY245,651/NTD61,310	2022.02.17-2022.03.16	0.2483-0.2508	Financial assets for hedging	\$ 59,079	\$ -	\$ (1,785)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD3,000/NTD82,788	2022.01.06-2022.02.11	27.5520-27.6400 (USD1:NTD)	Financial assets for hedging	410	-	328
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB12,780/USD2,000	2022.01.06	6.3901 (USD1:RMB)	Financial assets for hedging	123	-	98
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY610,000/NTD149,104	2022.01.14-2022.03.16	0.2424-0.2481	Other current liabilities	-	(2,348)	(1,878)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD6,500/NTD179,635	2022.01.06-2022.02.14	27.6100-27.6950 (USD1:NTD)	Other current liabilities	-	(164)	(131)
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB28,764/USD4,500	2022.02.14	6.3919 (USD1:RMB)	Other current liabilities	-	(20)	(16)
						<u>\$ 59,612</u>	<u>\$ (2,532)</u>	<u>\$ (3,384)</u>

## Financial Overview

Note: JPY1:NTD, unless stated otherwise.

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	\$ <u>3,384</u>	\$ <u>(3,384)</u>

December 31, 2020

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item in Balance Sheet	Carrying Amount Asset	Change in Value Used for Calculating Hedge Ineffectiveness
Cash flow hedge							
Forecast purchases - spot rate	JPY/NTD	JPY419,258/ NTD113,979	2021.02.15- 2021.03.14	0.27-0.2794	Financial assets for hedging	\$ 115,841	\$ 1,489
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY1,000,000/ NTD267,890	2021.01.15- 2021.03.15	0.2665-0.2692	Financial assets for hedging	<u>2,955</u>	<u>2,364</u>
						<u>\$ 118,796</u>	<u>\$ 3,853</u>

Note: JPY1:NTD, unless stated otherwise.

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	\$ <u>(3,853)</u>	\$ <u>3,853</u>

	<b>Hedging Gains (Losses) Recognized in OCI</b>	
	<b>For the Year Ended December 31</b>	
<b>Comprehensive Income Impact</b>	<b>2021</b>	<b>2020</b>

Cash flow hedges		
Forecast purchases	\$ <u>(29,000)</u>	\$ <u>9,919</u>

The Corporation had signed component purchasing contracts with the suppliers in Japan and China, and also signed foreign exchange forward contracts with the banks and purchased foreign currency banknotes at the spot rate to avoid exchange rate risk associated with its forecasted purchases. When the forecasted purchases take place, the amount originally deferred and recognized in equity will be reclassified to the carrying amount of the materials purchased.

# Financial Overview

## 12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
At amortized cost		
Notes and accounts receivable	\$ 382,220	\$ 461,957
Less: Allowance for impairment loss	<u>(3,824)</u>	<u>(5,823)</u>
	<u>\$ 378,396</u>	<u>\$ 456,134</u>

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer and the customer's current financial position. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The aging of receivables was as follows:

	December 31	
	2021	2020
0 days	\$ 380,377	\$ 460,364
1-60 days	1,843	692
61-90 days	-	-
More than 90 days	<u>-</u>	<u>901</u>
Gross carrying amount	382,220	461,957
Loss allowance (Lifetime ECLs)	<u>(3,824)</u>	<u>(5,823)</u>
Amortized cost	<u>\$ 378,396</u>	<u>\$ 456,134</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	2021	2020
Balance at January 1	\$ 5,823	\$ 8,485
Less: Net reversal of loss allowance	<u>(1,999)</u>	<u>(2,662)</u>
Balance at December 31	<u>\$ 3,824</u>	<u>\$ 5,823</u>

## 13. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 1,088,770	\$ 1,094,791
Work in progress	9,197	35,802
Raw materials	1,914,092	1,799,908
Materials in transit	<u>64,326</u>	<u>79,740</u>
	<u>\$ 3,076,385</u>	<u>\$ 3,010,241</u>

## Financial Overview

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$23,094,901 thousand and \$22,739,321 thousand, respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$72,166 thousand and \$37,399 thousand, respectively.

### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in subsidiaries	\$ 6,663,246	\$ 6,794,586
Investments in associates	17,568,668	16,388,690
Investments in joint ventures	<u>3,501,433</u>	<u>3,027,742</u>
	<u>\$ 27,733,347</u>	<u>\$ 26,211,018</u>

#### a. Investments in subsidiaries

<b>Name of Subsidiaries</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Listed companies		
Kian Shen	<u>\$ 2,191,603</u>	<u>\$ 2,141,274</u>
Unlisted companies		
Sino Diamond Motors	1,430,589	1,341,218
Alliance Investment & Management	1,284,812	1,288,292
COC Tooling & Stamping	822,785	808,797
China Engine	437,354	447,373
China Motor Investment	249,510	414,190
Hwa Wei Holdings	164,977	274,747
Hwa Chung Motors	<u>81,616</u>	<u>78,695</u>
	<u>4,471,643</u>	<u>4,653,312</u>
	<u>\$ 6,663,246</u>	<u>\$ 6,794,586</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
<b>Name of Subsidiaries</b>	<b>2021</b>	<b>2020</b>
Listed company		
Kian Shen	43.87%	43.87%
Unlisted companies		
Sino Diamond Motors	100.00%	100.00%
Alliance Investment & Management	100.00%	100.00%
COC Tooling & Stamping	49.76%	49.76%
China Engine	52.10%	52.10%
China Motor Investment	100.00%	100.00%
Hwa Wei Holdings	40.00%	40.00%
Hwa Chung Motors	100.00%	100.00%

Although the Corporation's equity interests in Kian Shen and COC Tooling & Stamping each did not exceed 50%, the Corporation still retained control over these investees. Thus, Kian Shen and COC Tooling & Stamping were included in the Corporation's consolidated financial statements.

# Financial Overview

Although the Corporation's proportion of ownership of investments accounted for using the equity method in Hwa Wei Holdings was less than 50%, it was still considered a subsidiary of the Corporation since the combined shareholding proportion of the Corporation and its subsidiaries in Hwa Wei Holdings exceeded 50% of its outstanding ordinary shares.

The share of profit or loss and other comprehensive income of these subsidiaries accounted for using the equity method were based on the subsidiaries' financial statements which have been audited for the same years.

## b. Investments in associates

<b>Associates</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Material associates		
Yulon	\$ 8,188,389	\$ 7,561,633
Associates that are not individually material	<u>9,380,279</u>	<u>8,827,057</u>
	<u>\$ 17,568,668</u>	<u>\$ 16,388,690</u>

### 1) Material associates

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

The Corporation's proportion of shareholding and voting rights in Yulon was 16.80% on December 31, 2021 and 2020.

The Corporation exercises significant influence over Yulon and applies the equity method of accounting because the Corporation had a representation on the board of directors of Yulon even though the Corporation holds less than 20% of interest in Yulon.

The share of profit or loss and other comprehensive income of the associates accounted for using the equity method were based on the associates' financial statements which have been audited for the same years.

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

<b>Name of Associate</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Yulon	<u>\$ 6,985,335</u>	<u>\$ 7,818,908</u>

The above associate is accounted for using the equity method.

## Financial Overview

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs, and reflects the adjustments made when the equity method of accounting was applied.

### Yulon and Yulon's subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 234,854,492	\$ 215,186,668
Non-current assets	89,008,287	86,136,078
Current liabilities	(226,995,138)	(201,009,483)
Non-current liabilities	<u>(26,168,118)</u>	<u>(35,437,943)</u>
Equity	70,699,523	64,875,320
Non-controlling interests	<u>(18,047,660)</u>	<u>(16,136,852)</u>
	<u>\$ 52,651,863</u>	<u>\$ 48,738,468</u>
Proportion of the Corporation's ownership	16.80%	16.80%
Equity attributable to the Corporation	\$ 8,845,513	\$ 8,188,063
Cross shareholdings	<u>(657,124)</u>	<u>(626,430)</u>
Carrying amount	<u>\$ 8,188,389</u>	<u>\$ 7,561,633</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<u>\$ 78,047,772</u>	<u>\$ 82,597,514</u>
Net profit for the year	\$ 7,742,315	\$ 4,839,562
Other comprehensive income	<u>149,839</u>	<u>240,989</u>
Total comprehensive income for the year	<u>\$ 7,892,154</u>	<u>\$ 5,080,551</u>
Dividends received from Yulon	<u>\$ 166,714</u>	<u>\$ -</u>

### 2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Corporation's share of:		
Net profit for the year	\$ 1,016,011	\$ 818,075
Other comprehensive income	<u>124,690</u>	<u>25,674</u>
Total comprehensive income for the year	<u>\$ 1,140,701</u>	<u>\$ 843,749</u>

All the associates are accounted for using the equity method.

Investments in associates that are not individually material are accounted for using the equity method although the Corporation holds less than 20% interest since the Corporation exercises significant influence on their major transactions or has representations on their board of directors.



## Financial Overview

The Corporation is the single largest shareholder of several associates. The Corporation's holding is less than 50% of the voting rights in the investees but the Corporation considered its holding of voting rights relative to the size and dispersion of the other shareholdings, which are not widely dispersed, and concluded that it has neither the ability to direct the relevant activities of the investees nor the control over the investees. The management of the Corporation considered the Corporation as exercising significant influence over the investees and, therefore, classified them as associates accounted for using the equity method.

The share of profit or loss and other comprehensive income of these associates accounted for using the equity method were based on the associates' financial statements which have been audited for the same years.

Hua-Chuang Automobile Information Technical Center reduced its capital for offsetting accumulated deficit and issued ordinary shares for cash in May and August 2020, respectively. The Corporation did not subscribe for additional new shares at the percentage of its existing ownership, which resulted in the Corporation's shareholding to be less than 0.01%. In addition, in September 2020, the Corporation has resigned from its position as member of the board of directors of Hua-Chuang Automobile Information Technical Center and consequently ceased to have significant influence over Hua-Chuang Automobile Information Technical Center and recognized a loss on disposal of the investment amounting to \$1,393 thousand.

### c. Investments in joint ventures

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Joint ventures that are not individually material	<u>\$ 3,501,433</u>	<u>\$ 3,027,742</u>
Aggregate information of joint ventures that are not individually material:		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Corporation's share of:		
Net profit for the year	\$ 1,232,861	\$ 838,297
Other comprehensive income (loss)	<u>18,598</u>	<u>(19,474)</u>
Total comprehensive income for the year	<u>\$ 1,251,459</u>	<u>\$ 818,823</u>

All joint ventures are accounted for using the equity method.

The share of profit or loss and other comprehensive income of these joint ventures accounted for using the equity method were based on the joint ventures' financial statements which have been audit for the same years.

In February 2022, Daimler Vans Hong Kong Ltd. changed its entity name, which is Mercedes-Benz Vans Hong Kong Ltd.

# Financial Overview

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 665,075	\$ 97,351	\$ 3,188,539	\$ 22,722,024	\$ 1,037,146	\$ 377,584	\$ 28,087,719
Additions	-	-	1,645	47,579	43,494	467,014	559,732
Disposals	-	-	(7,216)	(2,803,824)	(104,804)	-	(2,915,844)
Reclassifications	-	612	14,912	296,099	33,348	(343,065)	1,906
Balance at December 31, 2021	<u>\$ 665,075</u>	<u>\$ 97,963</u>	<u>\$ 3,197,880</u>	<u>\$ 20,261,878</u>	<u>\$ 1,009,184</u>	<u>\$ 501,533</u>	<u>\$ 25,733,513</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021		\$ 87,302	\$ 2,895,840	\$ 20,127,830	\$ 770,052	\$ -	\$ 23,881,024
Disposals		-	(7,216)	(2,802,755)	(71,570)	-	(2,881,541)
Impairment losses		-	-	146,258	865	-	147,123
Depreciation expense		1,803	33,557	532,551	58,607	-	626,518
Reclassifications		-	2	2,139	(235)	-	1,906
Balance at December 31, 2021		<u>\$ 89,105</u>	<u>\$ 2,922,183</u>	<u>\$ 18,006,023</u>	<u>\$ 757,719</u>	<u>\$ -</u>	<u>\$ 21,775,030</u>
Carrying amounts at December 31, 2021	<u>\$ 665,075</u>	<u>\$ 8,858</u>	<u>\$ 275,697</u>	<u>\$ 2,255,855</u>	<u>\$ 251,465</u>	<u>\$ 501,533</u>	<u>\$ 3,958,483</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 665,075	\$ 96,431	\$ 3,143,466	\$ 21,546,561	\$ 1,028,826	\$ 823,356	\$ 27,303,715
Additions	-	-	-	67,585	10,040	814,004	891,629
Disposals	-	-	-	(59,682)	(50,432)	-	(110,114)
Reclassifications	-	920	45,073	1,167,560	48,712	(1,259,776)	2,489
Balance at December 31, 2020	<u>\$ 665,075</u>	<u>\$ 97,351</u>	<u>\$ 3,188,539</u>	<u>\$ 22,722,024</u>	<u>\$ 1,037,146</u>	<u>\$ 377,584</u>	<u>\$ 28,087,719</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020		\$ 85,421	\$ 2,863,748	\$ 19,595,616	\$ 745,469	\$ -	\$ 23,290,254
Disposals		-	-	(58,701)	(31,920)	-	(90,621)
Impairment losses		-	-	5,936	-	-	5,936
Depreciation expense		1,881	31,938	581,847	56,503	-	672,169
Reclassifications		-	154	3,132	-	-	3,286
Balance at December 31, 2020		<u>\$ 87,302</u>	<u>\$ 2,895,840</u>	<u>\$ 20,127,830</u>	<u>\$ 770,052</u>	<u>\$ -</u>	<u>\$ 23,881,024</u>
Carrying amounts at December 31, 2020	<u>\$ 665,075</u>	<u>\$ 10,049</u>	<u>\$ 292,699</u>	<u>\$ 2,594,194</u>	<u>\$ 267,094</u>	<u>\$ 377,584</u>	<u>\$ 4,206,695</u>

All the property, plant and equipment of the Corporation were for own use.

As a result of the decrease in sales for several types of vehicles in the market, the estimated future cash flows from the related equipment have decreased. Thus, the Corporation recognized an impairment loss of \$147,123 thousand for the year ended December 31, 2021. The Corporation determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used for measuring the value in use was 5.75%. The Corporation had no future cash flow from the related equipment and recognized an impairment loss of \$5,936 thousand for the year ended December 31, 2020.

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

Category	Useful Life
Land improvements	3-20 years
Buildings	3-55 years
Machinery	3-15 years
Other equipment	3-15 years

# Financial Overview

Acquisition of property, plant and equipment includes the decrease in payables for equipment of \$25,272 thousand and increase in payables for equipment of \$140,104 thousand for the years ended December 31, 2021 and 2020, respectively, refer to Note 18 for the details.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 1,100	\$ 742
Buildings	975	2,277
Other equipment	<u>5,697</u>	<u>477</u>
	<u>\$ 7,772</u>	<u>\$ 3,496</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 7,804</u>	<u>\$ 3,952</u>
Depreciation charge for right-of-use assets		
Land	\$ 344	\$ 49
Buildings	1,566	1,138
Other equipment	<u>1,618</u>	<u>887</u>
	<u>\$ 3,528</u>	<u>\$ 2,074</u>

### b. Lease liabilities (included in other current liabilities and other non-current liabilities)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 3,356</u>	<u>\$ 2,112</u>
Non-current	<u>\$ 4,261</u>	<u>\$ 1,368</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.37%	1.37%
Buildings	1.37%	1.37%
Other equipment	1.37%	1.37%

## Financial Overview

### c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 2,826	\$ 7,562
Expenses relating to low-value asset leases	\$ 2,880	\$ 1,078
Total cash outflow for leases	\$ 9,459	\$ 10,783

The Corporation's leases of certain equipment qualify as short-term leases and low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTIES

### Cost

Balance at January 1, 2021	\$ 1,403,361
Additions	724
Balance at December 31, 2021	<u>\$ 1,404,085</u>

### Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 516,776
Depreciation expense	11,241
Balance at December 31, 2021	<u>\$ 528,017</u>
Carrying amount at December 31, 2021	<u>\$ 876,068</u>

### Cost

Balance at January 1, 2020	\$ 1,402,561
Reclassification	800
Balance at December 31, 2020	<u>\$ 1,403,361</u>

### Accumulated depreciation and impairment

Balance at January 1, 2020	\$ 506,256
Reclassification	3
Depreciation expense	10,517
Balance at December 31, 2020	<u>\$ 516,776</u>
Carrying amount at December 31, 2020	<u>\$ 886,585</u>

The investment properties were leased out for 1 to 20 years with an option to extend the lease periods. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

## Financial Overview

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 and 2020 was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 39,518	\$ 43,773
Year 2	28,647	35,746
Year 3	25,815	26,033
Year 4	25,815	23,201
Year 5	11,895	23,201
Later than 5 years	<u>123,789</u>	<u>120,655</u>
	<u>\$ 255,479</u>	<u>\$ 272,609</u>

The investment properties held by the Corporation are depreciated over their estimated 10-60 years of useful lives, using the straight-line method.

The fair values of investment properties of the Corporation were \$1,496,594 thousand and \$1,410,495 thousand as of December 31, 2021 and 2020, respectively. Investment properties as of December 31, 2021 and 2020 were appraised by the Corporation's management using the valuation model in which other market participants frequently used. The valuation from management was arrived at by reference to market evidence of transaction prices for similar properties.

### **18. OTHER PAYABLES**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries or bonuses	\$ 1,025,292	\$ 936,426
Payables for warranties	220,895	170,017
Payables for equipment	189,110	214,382
Provisions for employee benefit	131,452	130,449
Payables for development	115,411	14,308
Payables for taxes	76,147	175,369
Others	<u>315,030</u>	<u>389,788</u>
	<u>\$ 2,073,337</u>	<u>\$ 2,030,739</u>

### **19. RETIREMENT BENEFIT PLANS**

#### **a. Defined contribution plans**

The Corporation adopted a pension plan under the Labor Pension Act (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.

## Financial Overview

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 2,009,474	\$ 2,052,318
Fair value of plan assets	<u>(1,408,155)</u>	<u>(1,499,199)</u>
Net defined benefit liabilities	<u>\$ 601,319</u>	<u>\$ 553,119</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 2,052,318</u>	<u>\$ (1,499,199)</u>	<u>\$ 553,119</u>
Service cost			
Past service cost	45,077	-	45,077
Current service cost	24,157	-	24,157
Net interest expense (income)	<u>9,902</u>	<u>(7,261)</u>	<u>2,641</u>
Recognized in profit or loss	<u>79,136</u>	<u>(7,261)</u>	<u>71,875</u>
Remeasurement			
Return on plan assets	-	(19,961)	(19,961)
Actuarial loss			
Changes in demographic assumptions	59,194	-	59,194
Experience adjustments	<u>11,930</u>	<u>-</u>	<u>11,930</u>
Recognized in other comprehensive income	<u>71,124</u>	<u>(19,961)</u>	<u>51,163</u>
Contributions from the employer	-	(25,955)	(25,955)
Benefits paid	(144,221)	144,221	-
Portion of benefits paid by the Corporation	<u>(48,883)</u>	<u>-</u>	<u>(48,883)</u>
Balance at December 31, 2021	<u>\$ 2,009,474</u>	<u>\$ (1,408,155)</u>	<u>\$ 601,319</u>

(Continued)

## Financial Overview

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 2,086,713</u>	<u>\$ (1,460,045)</u>	<u>\$ 626,668</u>
Service cost			
Past service cost	63,414	-	63,414
Current service cost	27,380	-	27,380
Net interest expense (income)	<u>15,651</u>	<u>(11,014)</u>	<u>4,637</u>
Recognized in profit or loss	<u>106,445</u>	<u>(11,014)</u>	<u>95,431</u>
Remeasurement			
Return on plan assets	-	(50,537)	(50,537)
Actuarial loss			
Changes in demographic assumptions	197	-	197
Changes in financial assumptions	51,768	-	51,768
Experience adjustments	<u>20,582</u>	<u>-</u>	<u>20,582</u>
Recognized in other comprehensive income	<u>72,547</u>	<u>(50,537)</u>	<u>22,010</u>
Contributions from the employer	-	(103,129)	(103,129)
Benefits paid	(125,526)	125,526	-
Portion of benefits paid by the Corporation	<u>(87,861)</u>	<u>-</u>	<u>(87,861)</u>
Balance at December 31, 2020	<u>\$ 2,052,318</u>	<u>\$ (1,499,199)</u>	<u>\$ 553,119</u> (Concluded)

The disbursement amounts of defined benefit plans of associates were \$289 thousand and \$520 thousand in 2021 and 2020, respectively.

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and 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 are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.50%	0.50%
Expected rate of salary increase	1.25%	1.25%

## Financial Overview

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (48,201)</u>	<u>\$ (51,768)</u>
0.25% decrease	<u>\$ 49,887</u>	<u>\$ 53,645</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 48,596</u>	<u>\$ 52,244</u>
0.25% decrease	<u>\$ (47,196)</u>	<u>\$ (50,677)</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 228,354</u>	<u>\$ 26,324</u>
Average duration of the defined benefit obligation	10.1 years	10.4 years

## 20. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number 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>553,620</u>	<u>553,620</u>
Shares issued and fully paid	<u>\$ 5,536,203</u>	<u>\$ 5,536,203</u>

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

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (Note 1)</u>		
Conversion of bonds	\$ 5,183,923	\$ 5,183,923
Issuance of ordinary shares	1,184,920	1,184,920
Others	4,666	4,666

(Continued)



# Financial Overview

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (Note 2)	\$ 2,225	\$ 2,225
Share of changes in capital surplus of associates or joint ventures	<u>45,781</u>	<u>36,044</u>
	<u>\$ 6,421,515</u>	<u>\$ 6,411,778</u> (Concluded)

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 to once a year).

Note 2: Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

## c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 22.

The operating environment of the Corporation is considered a mature and steady industry. In determining the amount of dividends to be distributed, the Corporation takes its future capital expenditures and related factors into account and also seeks to uphold the shareholders' interests while realizing the Corporation's long-term financial plan. Dividends are distributed at no less than 40% of profits after tax, but dividends cannot be distributed if the Corporation has deficit. Dividends are paid in the form of cash or stock. The Corporation's policy is that cash dividends should be at least 20% of total dividends.

The shareholders of the Corporation held their regular meeting in June 2020 and in that meeting, resolved the amendments to the dividend policy of the Corporation's Articles of Incorporation, where the regulation of "dividends cannot be distributed if the Corporation has a deficit" has been deleted.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The 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.

## Financial Overview

Items referred to 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” should be appropriated to or reserved from a special reserve by the Corporation.

The appropriation of earnings for 2020 that had been resolved by the shareholders in their meeting in July 2021 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 323,844	
Cash dividends	3,875,342	<u>\$7.0</u>

The Corporation proposed to not distribute any dividends due to the net loss incurred in 2019.

Information on the appropriation of earnings in the shareholders’ meetings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of earnings for 2021 had been proposed by the Corporation’s board of directors on March 15, 2022, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 423,697	
Cash dividends	3,044,912	<u>\$5.5</u>

The appropriations of earnings for 2021, are subject to the resolution of the shareholders in their meeting to be held in June 2022.

d. Special reserves

	<b>For the Year Ended December 31 2021</b>	<b>2020</b>
Balance at January 1	\$ 1,028,359	\$ 1,029,654
Reversals		
Disposal of subsidiaries and associates	-	(1,185)
Disposal of property, plant and equipment	<u>-</u>	<u>(110)</u>
Balance at December 31	<u>\$ 1,028,359</u>	<u>\$ 1,028,359</u>

# Financial Overview

## e. Other equity items

### 1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (926,661)	\$ (998,191)
Share from subsidiaries, associates and joint ventures accounted for using the equity method	99,920	69,097
Reclassification adjustments		
Share from the disposal of subsidiaries and associates accounted for using the equity method	<u>-</u>	<u>2,433</u>
Balance at December 31	<u>\$ (826,741)</u>	<u>\$ (926,661)</u>

### 2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 264,666	\$ 216,562
Recognized for the year		
Unrealized gain - equity instruments	3,852	872
Share from subsidiaries and associates accounted for using the equity method	<u>182,445</u>	<u>41,814</u>
Other comprehensive income recognized for the year	186,297	42,686
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal by subsidiaries and associates	(37,315)	5,418
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(36,212)</u>	<u>-</u>
Balance at December 31	<u>\$ 377,436</u>	<u>\$ 264,666</u>

### 3) Gain (loss) on hedging instruments

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 6,918	\$ (19,968)
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	(3,963)	7,519
Foreign currency risk - spot rate	(19,237)	416
Share from subsidiaries and joint ventures accounted for using the equity method	<u>(32,990)</u>	<u>10,281</u>
Other comprehensive income (loss) recognized for the year	<u>(56,190)</u>	<u>18,216</u>
Transferred to initial carrying amount of hedged items	<u>20,881</u>	<u>8,670</u>
Balance at December 31	<u>\$ (28,391)</u>	<u>\$ 6,918</u>

# Financial Overview

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods		
Revenue from the sale of vehicles	\$ 23,050,952	\$ 22,660,118
Revenue from the sale of components	<u>4,145,570</u>	<u>3,865,653</u>
	27,196,522	26,525,771
Services revenue	328,101	356,996
Rental income	<u>80,578</u>	<u>79,281</u>
	<u>\$ 27,605,201</u>	<u>\$ 26,962,048</u>

### Contract Balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes and accounts receivable (Note 12)	<u>\$ 378,396</u>	<u>\$ 456,134</u>	<u>\$ 719,498</u>
Trade receivables from related parties (Note 27)	<u>\$ 1,365,379</u>	<u>\$ 1,140,590</u>	<u>\$ 1,267,862</u>

## 22. NET PROFIT

Net profit includes the following:

### a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 543,354	\$ 582,896
Operating expenses	<u>97,933</u>	<u>101,864</u>
	<u>\$ 641,287</u>	<u>\$ 684,760</u>
An analysis of amortization by function		
Operating costs	\$ 759	\$ 179
Operating expenses	<u>34,194</u>	<u>31,409</u>
	<u>\$ 34,953</u>	<u>\$ 31,588</u>
An analysis of amortization in intangible assets by function		
Research and development expenses	<u>\$ 44,764</u>	<u>\$ 75,053</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income from investment properties	<u>\$ 55,556</u>	<u>\$ 58,672</u>
Direct operating expenses of investment properties generating rental income	<u>\$ 13,942</u>	<u>\$ 13,224</u>

# Financial Overview

## c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 2,463,197	\$ 2,470,075
Post-employment benefits		
Defined contribution plans	56,094	48,799
Defined benefit plans	<u>71,586</u>	<u>94,911</u>
	<u>\$ 2,590,877</u>	<u>\$ 2,613,785</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,229,221	\$ 1,256,118
Operating expenses	<u>1,361,656</u>	<u>1,357,667</u>
	<u>\$ 2,590,877</u>	<u>\$ 2,613,785</u>

## d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors in March 2022 and 2021, respectively, are as follows:

### Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 46,959	\$ 31,923
Remuneration of directors	24,098	17,130

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2020.

Due to the net loss before income tax for the year ended December 31, 2019, the Corporation did not accrue employees' compensation and remuneration of directors.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## Financial Overview

e. Impairment loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment (Note 15)	\$ 147,123	\$ 5,936
Intangible assets under development	<u>-</u>	<u>94,497</u>
	<u>\$ 147,123</u>	<u>\$ 100,433</u>

The Corporation intends to modify vehicle engines, and the future cash flows expected to arise from the related intangible assets of engines had decreased to zero. Therefore, the Corporation recognized an impairment loss of \$94,497 thousand for the year ended December 31, 2020.

### 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 340,188	\$ 1,492
Taxation for repatriated offshore funds	163,463	114,087
Tax refund for offshore funds	(6,681)	-
Adjustments for prior years	<u>10,881</u>	<u>(5,965)</u>
	<u>507,851</u>	<u>109,614</u>
Deferred tax		
In respect of the current year	59,380	(8,614)
Adjustments for prior years	<u>(231)</u>	<u>-</u>
	<u>59,149</u>	<u>(8,614)</u>
Income tax expense recognized in profit or loss	<u>\$ 567,000</u>	<u>\$ 101,000</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	<u>\$ 4,748,835</u>	<u>\$ 3,378,320</u>
Income tax expense calculated at the statutory rate (20%)	\$ 949,767	\$ 675,664
Non-deductible expense	6,018	2,092
Tax-exempt income	(492,772)	(162,872)
Taxation for repatriate offshore funds	163,463	114,087
Tax refund for offshore funds	(6,681)	-
Investment credits	(60,000)	-
Unrecognized deductible temporary differences	(3,445)	(522,006)
Adjustments for prior years' tax	<u>10,650</u>	<u>(5,965)</u>
Income tax expense recognized in profit or loss	<u>\$ 567,000</u>	<u>\$ 101,000</u>

## Financial Overview

In July 2019, the president of the ROC announced the regulations on the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. Within two years from the date of enforcement of this Act, profit-seeking enterprises may be subject to taxation based on these regulations upon approval by the tax authorities. A tax rate of 8% applies to the first year's repatriation of funds, while a tax rate of 10% applies to the second year's repatriation of funds; the statutory rate of 20% is not applicable. If substantive investments are subsequently made, profit-seeking enterprises may apply for a refund of 50% of the tax paid for qualifying investment amounts.

For the year ended December 31, 2021, the Corporation repatriated \$781,583 thousand (RMB18,913 thousand and EUR20,691 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. Total income tax withholding was \$163,463 thousand, comprising \$86,843 thousand based on the source of income and \$76,620 thousand based on the preferential tax rate at 10%.

For the year ended December 31, 2020, the Corporation repatriated \$598,209 thousand (RMB142,805 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. Total income tax withholding was \$114,087 thousand, comprising \$66,468 thousand based on the source of income and \$47,619 thousand based on the preferential tax rate at 8%. Subsequent substantive investments amounted to \$158,190 thousand, and application for the refund of tax was \$6,681 thousand.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 10,233	\$ 4,402
Cash flow hedges	<u>5,800</u>	<u>(1,984)</u>
Total income tax recognized in other comprehensive income	<u>\$ 16,033</u>	<u>\$ 2,418</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 74,115</u>	<u>\$ 66,609</u>
Current tax liabilities		
Income tax payable	<u>\$ 358,283</u>	<u>\$ 238,526</u>

# Financial Overview

## 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, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 86,396	\$ (572)	\$ 10,233	\$ -	\$ 96,057
Other payables	60,093	10,377	-	-	70,470
Inventories	34,372	14,433	-	-	48,805
Others	<u>59,990</u>	<u>25,815</u>	<u>4,837</u>	<u>(3,991)</u>	<u>86,651</u>
	240,851	50,053	15,070	(3,991)	301,983
Loss carryforwards	<u>30,741</u>	<u>(30,741)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 271,592</u>	<u>\$ 19,312</u>	<u>\$ 15,070</u>	<u>\$ (3,991)</u>	<u>\$ 301,983</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 257,960	\$ 80,341	\$ -	\$ -	\$ 338,301
Others	<u>4,051</u>	<u>(1,880)</u>	<u>(963)</u>	<u>-</u>	<u>1,208</u>
	<u>\$ 262,011</u>	<u>\$ 78,461</u>	<u>\$ (963)</u>	<u>\$ -</u>	<u>\$ 339,509</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 101,097	\$ (19,103)	\$ 4,402	\$ -	\$ 86,396
Other payables	60,065	28	-	-	60,093
Inventories	26,892	7,480	-	-	34,372
Others	<u>17,828</u>	<u>42,162</u>	<u>-</u>	<u>-</u>	<u>59,990</u>
	205,882	30,567	4,402	-	240,851
Loss carryforwards	<u>-</u>	<u>30,741</u>	<u>-</u>	<u>-</u>	<u>30,741</u>
	<u>\$ 205,882</u>	<u>\$ 61,308</u>	<u>\$ 4,402</u>	<u>\$ -</u>	<u>\$ 271,592</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 205,642	\$ 52,318	\$ -	\$ -	\$ 257,960
Others	<u>-</u>	<u>376</u>	<u>1,984</u>	<u>1,691</u>	<u>4,051</u>
	<u>\$ 205,642</u>	<u>\$ 52,694</u>	<u>\$ 1,984</u>	<u>\$ 1,691</u>	<u>\$ 262,011</u>



## Financial Overview

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Deductible temporary differences	<u>\$ 1,388,365</u>	<u>\$ 1,459,572</u>

- f. Income tax assessments

The income tax returns of the Corporation through 2019 have been assessed by the tax authorities.

### **24. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 7.67</u>	<u>\$ 6.01</u>
Diluted earnings per share	<u>\$ 7.66</u>	<u>\$ 6.00</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

#### **Net Profit for the Year**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit of the Corporation	<u>\$ 4,181,835</u>	<u>\$ 3,277,320</u>

#### **Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share		
Weighted average number of ordinary shares	553,620	553,620
Adjustment for held by associates	<u>(8,239)</u>	<u>(8,239)</u>
	545,381	545,381
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>887</u>	<u>631</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>546,268</u>	<u>546,012</u>

When calculating earnings per share (EPS), the Corporation considers the shares held by associates as treasury shares to reduce the number of shares outstanding.

# Financial Overview

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as going concern 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.

## 26. 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 that are not measured at fair value 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 on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ -	\$ 605,042	\$ 605,042
Mutual funds	80,459	-	-	80,459
Derivative financial instruments	-	-	613	613
	<u>\$ 80,459</u>	<u>\$ -</u>	<u>\$ 605,655</u>	<u>\$ 686,114</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 15,798	\$ -	\$ -	\$ 15,798
Domestic unlisted shares	-	-	13,226	13,226
	<u>\$ 15,798</u>	<u>\$ -</u>	<u>\$ 13,226</u>	<u>\$ 29,024</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 59,079	\$ -	\$ -	\$ 59,079
Derivative financial instruments	-	-	533	533
	<u>\$ 59,079</u>	<u>\$ -</u>	<u>\$ 533</u>	<u>\$ 59,612</u>

(Continued)

# Financial Overview

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	\$ -	\$ -	\$ 976	\$ 976
Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	\$ -	\$ -	\$ 2,532	\$ 2,532
				(Concluded)
<u>December 31, 2020</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ -	\$ 603,040	\$ 603,040
Mutual funds	1,023,173	-	-	1,023,173
Derivative financial instruments	-	-	3,141	3,141
	<u>\$ 1,023,173</u>	<u>\$ -</u>	<u>\$ 606,181</u>	<u>\$ 1,629,354</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 30,370	\$ -	\$ -	\$ 30,370
Domestic unlisted shares	-	-	13,170	13,170
	<u>\$ 30,370</u>	<u>\$ -</u>	<u>\$ 13,170</u>	<u>\$ 43,540</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 115,841	\$ -	\$ -	\$ 115,841
Derivative financial instruments	-	-	2,955	2,955
	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 2,955</u>	<u>\$ 118,796</u>

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

# Financial Overview

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

For the year ended December 31, 2021

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 603,040	\$ 3,141	\$ 13,170	\$ 2,955	\$ 622,306
Recognized in profit or loss	2,002	(2,528)	-	-	(526)
Recognized in other comprehensive income (loss)	-	-	56	(2,422)	(2,366)
Balance at December 31	<u>\$ 605,042</u>	<u>\$ 613</u>	<u>\$ 13,226</u>	<u>\$ 533</u>	<u>\$ 619,414</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ -	\$ -	\$ -
Recognized in profit	976	-	976
Recognized in other comprehensive loss	-	2,532	2,532
Balance at December 31	<u>\$ 976</u>	<u>\$ 2,532</u>	<u>\$ 3,508</u>

For the year ended December 31, 2020

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 617,612	\$ 304	\$ 13,585	\$ 440	\$ 631,941
Recognized in profit or loss	(14,572)	2,837	-	-	(11,735)
Recognized in other comprehensive income (loss)	-	-	(415)	2,515	2,100
Balance at December 31	<u>\$ 603,040</u>	<u>\$ 3,141</u>	<u>\$ 13,170</u>	<u>\$ 2,955</u>	<u>\$ 622,306</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 2,483	\$ 6,884	\$ 9,367
Recognized in profit or loss	(2,483)	-	(2,483)
Recognized in other comprehensive income	-	(6,884)	(6,884)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Financial Overview

## 3) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) Derivative financial instruments: The fair values of foreign exchange forward contracts of future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- b) Domestic unlisted equity securities to which the market approach was applied: The fair values of domestic unlisted shares were determined with reference to the share prices of listed companies with similar businesses as the Corporation. The material unobservable inputs are as follows:

	December 31	
	2021	2020
Operating income ratio	0.97-4.78 times	0.69-5.21 times
P/B ratio	1.08-2.49 times	0.58-2.24 times
Discount rate for lack of marketability	32.28%	32.28%

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

	December 31	
	2021	2020
Operating income ratio		
0.1 time increase	\$ 25,502	\$ 18,799
0.1 time decrease	\$ (25,502)	\$ (18,799)
P/B ratio		
0.1 time increase	\$ 64,027	\$ 60,304
0.1 time decrease	\$ (64,027)	\$ (60,304)

## c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 686,114	\$ 1,629,354
Financial assets for hedging	59,612	118,796
Financial assets at amortized cost (Note 1)	10,404,431	9,711,319
Financial assets at FVTOCI	29,024	43,540
<u>Financial liabilities</u>		
Amortized cost (Note 2)	4,361,701	5,051,451
FVTPL (included in other current liabilities)		
Held for trading	976	-
Financial liabilities for hedging (included in other current liabilities)	2,532	-

# Financial Overview

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, debt investments, notes and accounts receivable (related parties included), other receivables and guarantee deposits (included in other non-current assets).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised notes and 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 receivable and accounts payable. 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 price risk.

#### a) Foreign currency 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 changes in foreign currency rate. The Corporation avoids cash flow risk resulting from the changes in adverse foreign currency rate by using derivative contracts.

#### Sensitivity analysis

The Corporation is 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 the New Taiwan dollar against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. 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 foreign currency rates. A positive number below indicates an increase in pre-tax profit and equity associated with 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 to NTD</b>		
<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>
Loss	\$ (907)	\$ (3,105)
Equity	\$ (830)	\$ -
<b>JPY to NTD</b>		
<b>For the Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>
Gain	\$ 79	\$ 188
Equity	\$ (2,058)	\$ (3,921)

# Financial Overview

	<b>RMB to NTD</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss	\$ (4,959)	\$ (6,873)
Equity	\$ (1,805)	\$ -

## b) Interest rate risk

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash flows interest rate risk		
Financial assets	\$ 7,831,796	\$ 7,360,403

### Sensitivity analysis

The sensitivity analysis below were determined 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 0.25% 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.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$19,579 thousand and \$18,401 thousand, respectively.

The Corporation's sensitivity to interest rates increased during the current year 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 and mutual funds.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$4,023 thousand and \$51,159 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income would have decreased by \$790 thousand and \$1,518 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

# Financial Overview

## 2) Credit risk

The amounts of financial assets will be potentially impacted if the counterparties of the Corporation or third parties fail to perform their obligations in financial instrument contracts. The impact includes the concentrated degrees, composition parts and contracts amounts of the financial instruments and other receivables. The Corporation believes credit risk is low because the counterparties are creditworthy banks, brokers and dealers.

## 3) Liquidity risk

The Corporation has sufficient operating capital to meet cash requirements for settlement of derivative transactions. Thus, liquidity risk is low. As of December 31, 2021 and 2020, the Corporation had available unutilized unsecured financing facilities of \$4,928,361 thousand and \$4,443,979 thousand, respectively.

## 27. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

### a. Names and categories of related parties

Related Party Name	Related Party Category
Mitsubishi Motors Corporation (Mitsubishi Motors Corp.)	Investor with significant influence over the Corporation
Mitsubishi Corporation	Investor with significant influence over the Corporation
Tai Yuen Textile Co., Ltd.	Investor with significant influence over the Corporation
Le Wen Investment Co., Ltd.	Investor with significant influence over the Corporation
Yulon Management Company Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Corporation (Taiwan) Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Philippines Corporation	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Thailand	Subsidiary of investors that have significant influence over the Corporation
Shye Shyang Mechanical Industrial Co., Ltd.	The Corporation is its key management personnel.
Fuzhou Samuel Mechanical and Electrical Co., Ltd.	The Corporation is its key management personnel.
Uni-Calsonic Corp.	Associate
Yulon Motor Co., Ltd.	Associate
Fortune Motors Co., Ltd. (Fortune Motors)	Associate
ROC-Spicer Ltd. (ROC-Spicer)	Associate

(Continued)



# Financial Overview

Related Party Name	Related Party Category
Uni-Auto Parts Manufacture Co., Ltd. (Uni-Auto Parts)	Associate
Shung Ye Motor Co., Ltd. (Shung Ye Motor)	Associate
Hua-Chuang Automobile Information Technical Center Co., Ltd. (Hua-Chuang Automobile Information)	Associate
Yulon IT Solutions Inc. (Yulon IT)	Associate
Sinjang Co., Ltd.	Associate
Sin Gan Co., Ltd.	Associate
Tokio Marine Newa Insurance Co., Ltd.	Associate
Hong Shuo Cultural Enterprises, Co., Ltd.	Associate
Hsiang Shuo Enterprises	Associate
Sinqual Technology Co., Ltd.	Associate
Yufong Property Management Co., Ltd.	Associate
Taiwan Acceptance Corporation	Associate
Yue Sheng Industrial Co., Ltd.	Associate
Luxgen Motor Co., Ltd.	Associate
Yulon Nissan Motor Co., Ltd.	Associate
Y-Teks Co., Ltd.	Associate
Yes-Energy Service Co., Ltd.	Associate
Yue Ki Industrial Co., Ltd.	Associate
Carplus Auto Leasing Corporation	Associate
Fortune HS Leasing Co., Ltd.	Associate
Yu Rich Financial Services Company	Associate
ROC-Keeper Industrial Ltd.	Associate
Fu-Lun Motors Co., Ltd.	Associate
Loopus Service Technology Inc.	Became associate in April 2021
Tai-Ya (Hong Kong) Investment Ltd.	Associate
Kian Shen Corporation (Kian Shen)	Subsidiary
COC Tooling & Stamping Co., Ltd. (COC)	Subsidiary
Y. M. Hi-Tech Industry Ltd.	Subsidiary
China Engine Corporation (China Engine)	Subsidiary
Ling Wei Motor Co., Ltd.	Subsidiary
Brilliant Insight International Consultancy Service Co., Ltd.	Subsidiary
Greentrans Corporation	Subsidiary
Fujian Rui Hua Consulting Co., Ltd.	Subsidiary
Sino Diamond Motors Corporation (Sino Diamond Motors)	Subsidiary
Hwa-Lin Investments Ltd.	Subsidiary
Hwa-Wei Holdings Corporation Ltd.	Subsidiary
Jiangsu Greentrans Automotive Parts Co., Ltd.	Subsidiary
South East (Fujian) Motor Corporation Ltd. (South East Corporation Ltd. by shares)	Joint venture
Fujian Benz Automotive Co., Ltd.	Joint venture
China Engine (Fujian)	Joint venture
Yuanchuang Industrial Investment Consulting Co., Ltd.	Substantive related party

(Concluded)

## Financial Overview

### b. Operating transactions

#### 1) Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales	Associates		
	Fortune Motors	\$ 18,193,402	\$ 18,551,223
	Shung Ye Motor	3,398,351	3,915,613
	Others	<u>11,866</u>	<u>14,067</u>
		21,603,619	22,480,903
	Subsidiaries	478,086	530,097
	Investors and subsidiaries of the investors that have significant influence over the Corporation	82,031	76,443
	Others	<u>7,773</u>	<u>8,217</u>
		<u>\$ 22,171,509</u>	<u>\$ 23,095,660</u>

#### 2) Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Purchases	Associates	\$ 1,768,785	\$ 1,665,886
	Subsidiaries	1,107,226	1,004,711
	Investors and subsidiaries of the investors that have significant influence over the Corporation	831,380	882,434
	The Corporation is its key management personnel	321,283	304,317
	Others	<u>527</u>	<u>1,075</u>
		<u>\$ 4,029,201</u>	<u>\$ 3,858,423</u>

#### 3) Technical services expense

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Cost of goods sold and selling and marketing expenses	Investors that have significant influence over the Corporation	<u>\$ 180,372</u>	<u>\$ 226,289</u>

# Financial Overview

## 4) Operating expenses

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Selling and marketing expenses, general and administrative expenses and research and development expenses	Subsidiaries	\$ 8,677	\$ 6,704
	Associates	8,600	10,605
	Investors that have significant influence over the Corporation	690	9,974
	Others	<u>1,361</u>	<u>2,775</u>
		<u>\$ 19,328</u>	<u>\$ 30,058</u>

## 5) Contract liabilities

Line Item	Related Party Category/Name	December 31	
		2021	2020
Other current liabilities	Subsidiaries		
	China Engine	\$ 10,200	\$ 19,915
	Investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	-	16,393
	Others	<u>1,287</u>	<u>1,646</u>
		<u>\$ 11,487</u>	<u>\$ 37,954</u>

## 6) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivables from related parties	Associates		
	Fortune Motors	\$ 988,259	\$ 720,680
	Shung Ye Motor	249,137	263,123
	Others	<u>994</u>	<u>1,273</u>
		<u>1,238,390</u>	<u>985,076</u>
	Subsidiaries	121,182	149,514
	Others	<u>5,807</u>	<u>6,000</u>
		<u>\$ 1,365,379</u>	<u>\$ 1,140,590</u>

## Financial Overview

### 7) Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payables to related parties	Associates		
	Uni-Auto Parts	\$ 121,057	\$ 148,010
	ROC-Spicer	101,305	100,270
	Others	<u>170,821</u>	<u>212,250</u>
		<u>393,183</u>	<u>460,530</u>
	Subsidiaries		
	Kian Shen	95,108	163,369
	Others	<u>77,004</u>	<u>85,810</u>
		<u>172,112</u>	<u>249,179</u>
	Investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	79,706	126,981
	Others	<u>11,104</u>	<u>7,786</u>
		<u>90,810</u>	<u>134,767</u>
	The Corporation is its key management personnel	56,226	67,906
	Others	<u>6,846</u>	<u>6,730</u>
		<u>\$ 719,177</u>	<u>\$ 919,112</u>

### 8) Prepayments

Line Item	Related Party Category/Name	December 31	
		2021	2020
Prepayments	Subsidiaries	\$ 1,871	\$ 5,029
	Others	<u>430</u>	<u>334</u>
		<u>\$ 2,301</u>	<u>\$ 5,363</u>

### 9) Acquisitions of property, plant and equipment

Line Item	Related Party Category/Name	Purchase Price For the Year Ended December 31	
		2021	2020
Property, plant and equipment	Subsidiaries		
	COC	\$ 30,475	\$ 117,755
	Others	<u>18,255</u>	<u>6,377</u>
		<u>48,730</u>	<u>124,132</u>
	Associates	14,654	104,894
	Others	<u>-</u>	<u>6,940</u>
		<u>\$ 63,384</u>	<u>\$ 235,966</u>

# Financial Overview

## 10) Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal (Included in other income and other expense)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Subsidiaries	\$ 2,602	\$ 7,607	\$ 255	\$ (849)
Associates	<u>-</u>	<u>596</u>	<u>-</u>	<u>596</u>
	<u>\$ 2,602</u>	<u>\$ 8,203</u>	<u>\$ 255</u>	<u>\$ (253)</u>

## 11) Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Acquisitions of right-of-use assets (included in other non-current assets)	Associates Yulon IT	<u>\$ 6,512</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease liabilities (included in other current liabilities and other non-current liabilities)	Associates Yulon IT	<u>\$ 5,261</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Interest expense (included in other expense)	Associates Yulon IT	<u>\$ 41</u>	<u>\$ -</u>

The Corporation leased right-of-use of cabinet racks from its associates in 2021. The lease term of the contract was 3 years, and the rental is based on similar asset's market rental rate, and fixed lease payments are paid monthly.

## 12) Loans to related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Other receivables	Subsidiaries Sino Diamond Motors	<u>\$ 600,163</u>	<u>\$ 600,148</u>

## Financial Overview

Line Items	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2021	2020
Interest revenue	Subsidiaries		
	Sino Diamond Motors	\$ <u>5,415</u>	\$ <u>5,111</u>

The Corporation provided financing to its subsidiary, Sino Diamond Motors, at rates comparable to market interest rates. For the years ended December 31, 2021 and 2020, the financing provided to its subsidiary were all unsecured loans.

### 13) Collection

Line Items	Related Party Category/Name	<u>December 31</u>	
		2021	2020
Other current liabilities	Subsidiaries	\$ -	\$ 10,006
	Others	<u>-</u>	<u>50</u>
		\$ <u>-</u>	\$ <u>10,056</u>

The outstanding payables to related parties were not guaranteed and would be paid in cash. The Corporation received guarantees from some of the receivables from related parties. For the years ended December 31, 2021 and 2020, no loss allowance was recognized for trade receivables and financing from related parties.

Transactions with related parties have the same pricing and payment terms as of those for third parties. For lease contracts entered into with related parties, rental prices were determined by reference to market, and had general payment terms.

The Corporation signed a contract with Mitsubishi Motor Corp, refer to Note 29 for the details.

### c. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 88,733	\$ 72,889
Post-employment benefits	<u>291</u>	<u>323</u>
	\$ <u>89,024</u>	\$ <u>73,212</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as the tariff of importing vehicle parts and materials and escrows:

	<u>December 31</u>	
	2021	2020
Pledged deposits (Note 9)	\$ <u>163,321</u>	\$ <u>103,577</u>

# Financial Overview

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2021 were as follows:

- a. The Corporation issued guarantee notes amounting to \$3,979,440 thousand which had been pledged as collateral for loans from banks and other financial institutions and for government grants; unused letters of credit amounted to \$31,320 thousand.
- b. The Corporation entered into agreements with Mitsubishi Motor Corp. as stated below:

Project	Content	Date of Agreement/ Expiry Date	Agreement Price	Payment Method
Technical royalty	Technical cooperation and manufacture of Delica and other car models	2006.3.1-2025.4.8	Royalty was agreed to be the basis of the FOB price of automobiles sold and manufactured parts repaired	Paid every 6 months within 90 days
Technical royalty	Technical cooperation and manufacture of Outlander and other car models	2005.7.1-2025.9.7	Royalty was agreed to be the fixed amount of automobiles sold per unit and the basis of the FOB price of manufactured parts repaired	Paid every 6 months within 60-90 days

- c. The status of endorsements/guarantees was listed in Table 2.

## 30. OTHER ITEMS

Based on the information available as of the balance sheet date, the Corporation considered the economic implications of the pandemic when making its critical accounting estimates, refer to Note 5.

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

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 94,681	4.344	\$ 411,295
Non-monetary items			
Investments accounted for using the equity method			
EUR	111,795	31.32	3,501,433
RMB	87,786	4.344	381,341
<u>Foreign currency liabilities</u>			
Monetary items			
JPY	448,870	0.2405	107,953
RMB	23,342	4.344	101,399

# Financial Overview

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 122,999	4.377	\$ 538,369
JPY	682,290	0.2763	188,517
Non-monetary items			
Investments accounted for using the equity method			
EUR	86,458	35.02	3,027,742
RMB	95,697	4.377	418,864
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	44,612	4.377	195,266
JPY	630,949	0.2763	174,331

For the years ended December 31, 2021 and 2020, net foreign exchange gains (realized and unrealized) were \$18,787 thousand and \$33,389 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.

## 32. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in Notes 7, 11, 26 and Tables 1 to 8, there were no other separately disclosed items.

Note: Please refer to the table of the consolidated financial statements.



## Financial Overview

- VII. Any financial distress experienced by the Company or its affiliated enterprises and impacts on the Company's financial position in 2021 and as of March 31, 2022: None.

# Review and analysis of financial position and financial performance, and risk management

## I. Financial position

### Financial position analysis

Unit: NT\$ thousand

Item \ Year	December 31, 2021	December 31, 2020	Variation	
			Amount	%
Current assets	19,520,745	20,378,864	(858,119)	(4.21)
Investment	26,328,082	25,025,448	1,302,634	5.21
Property, plant and equipment	6,215,856	6,527,229	(311,373)	(4.77)
Intangible assets	438,039	373,697	64,342	17.22
Other assets	2,232,392	2,292,455	(60,063)	(2.62)
Total assets	54,735,114	54,597,693	137,421	0.25
Current liabilities	6,765,189	7,272,243	(507,054)	(6.97)
Non-current liabilities	1,644,897	1,618,806	26,091	1.61
Total liabilities	8,410,086	8,891,049	(480,963)	(5.41)
Share capital	5,536,203	5,536,203	-	-
Capital surplus	6,421,515	6,411,778	9,737	0.15
Retained earnings	31,192,108	30,830,486	361,622	1.17
Other equity	(477,696)	(655,077)	177,381	27.08
Treasury stock	-	-	-	-
Equity attributable to owners of parent company	42,672,130	42,123,390	548,740	1.30
Non-controlling interests	3,652,898	3,583,254	69,644	1.94
Net equity	46,325,028	45,706,644	618,384	1.35
Analysis of variations exceeding 20% and NT\$10 million for the last two years:				
Increase in other equity was mainly due to increase in the recognition of “unrealized valuation gains on financial assets at fair value through other comprehensive income”.				

# Review and analysis of financial position and financial performance, and risk management

## II. Financial Performance

### Financial performance analysis

Unit: NT\$ thousand

Item \ Year	2021	2020	Increase (decrease)	Variation %
Operating revenue	31,125,399	30,874,600	250,799	0.81
Operating costs	26,184,948	25,968,953	215,995	0.83
Gross profit	4,940,451	4,905,647	34,804	0.71
Realized gross profit	4,938,600	4,907,079	31,521	0.64
Operating expenses	2,898,998	3,130,409	(231,411)	(7.39)
Operating profit	2,039,602	1,776,670	262,932	14.80
Non-operating income and expenses	3,038,674	1,975,796	1,062,878	53.79
Profit or loss before tax from continuing operations	5,078,276	3,752,466	1,325,810	35.33
Income tax benefit (expense)	(674,792)	(211,918)	(462,874)	(218.42)
Profit or loss after tax from continuing operations	4,403,484	3,540,548	862,936	24.37
Income from discontinued operation	0	0	-	-
Net profit for the year	4,403,484	3,540,548	862,936	24.37
Other comprehensive income	186,693	129,049	57,644	44.67
Total comprehensive income for the year	4,590,177	3,669,597	920,580	25.09
<p>Analysis of variations exceeding 20% and NT\$10 million for the most recent two years:</p> <ol style="list-style-type: none"> <li>1. Increase in non-operating income and expenses was mainly due to increase in the share of profit or loss of associates and joint ventures accounted for using the equity method.</li> <li>2. Increase in income tax expense was mainly due to the recognition of investment loss in FY2020 resulting in the decrease of income tax expense in FY2020.</li> <li>3. Increase in other comprehensive income was mainly due to the increase in the share of other comprehensive income of associates and joint ventures accounted for using the equity method.</li> </ol>				

# Review and analysis of financial position and financial performance, and risk management

## III. Cash flow analysis

### (I) Liquidity analysis for the last two years

Item \ Year	2021	2020	Increase (Decrease) %
Cash flow ratio (%)	63.76	41.15	22.61
Cash flow adequacy ratio (%)	73.87	77.57	(3.70)
Cash flow reinvestment ratio (%)	0.59	3.98	(3.39)
Explanation of variation:			
1. Cash flow ratio increased mainly due to increased net cash flow from operating activities in 2021.			
2. Cash flow adequacy ratio and cash reinvestment ratio decreased mainly due to higher amounts of cash dividend paid in 2021.			

Note: Information above was prepared based on the consolidated financial statements.

### (II) Liquidity analysis for the coming year

Unit: NT\$ thousand

Cash balance at beginning of the year	Projected net cash provided by operating activities in the year	Projected net cash provided by investing and financing activities in the year	Projected ending cash balance (shortfall)	Remedy for projected cash shortfall	
				Investment plan	Finance plan
7,328,085	1,435,662	(2,876,945)	5,886,802	-	-
1. Cash flow analysis for the coming year					
(1) Operating activities: Projected net cash inflow of NT\$1,435,662 thousand from operating activities.					
(2) Investing activities: Projected net cash inflow of NT\$167,967 thousand from investing activities.					
(3) Financing activities: Projected net cash outflow of NT\$3,044,912 thousand used by financing activities.					
2. Remedy for projected cash shortfall and liquidity analysis: not applicable.					

Note: Information above was prepared based on the standalone financial statements.

## IV. Recent Years Major Capital Expenditures and Impact on Financial and Business

The major capital expenditures in 2021 amounted NT\$677,276 thousand, and the expected

# Review and analysis of financial position and financial performance, and risk management

outcomes are as follows:

- (I) Introduction of new products: increasing the market share of the Company's products so to increase revenue and sales.
- (II) Introduction of parts and components: increasing the self-production rate of parts and components to reduce production costs.
- (III) Strengthening of sales: improving market awareness for the Company and its products, enhancing the after-sales service quality and further growing the sales.
- (IV) Improvement of productivity: updating and automating assembly line equipment, rationalizing layout, increasing productivity and lifting technology.
- (V) Improvement of quality: upgrading partnering suppliers' ability for overall quality assurance, implementing a complete quality assurance system, removing quality PONC (Price of Non Conformance), increasing customer satisfaction on product quality, and implementing source management and foolproof measures.
- (VI) Improvement of work environment: upgrading computer equipment, renewing office facilities and company cars, planning of renovation for offices in the plant, improving air quality and adding pollution controlling equipment.

## V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

CMC's investments remain largely related to the automobiles industry. Although overall small car sales in Taiwan had declined by 2.2% in 2021 compared to 2020, the sales for RVs and commercial vehicles grew. With the efforts of upstream and downstream industry participants to maintain profitability by undertaking revenue expansion and cost-cutting measures, the Company's profit grew compared to 2020. In terms of Chinese market, the 2021 overall vehicle market sales reached 26.27 million cars showing a 3.8% increase compared to 2020; Fujian Benz Automotive was benefited by the increase in the demand for high-end commercial vehicles where the sales reached 37200 units in 2021 increased by 24.4% in comparison to 2020, resulting in the growth of the Company's investment gains from Fujian Benz Automotive. Overall, CMC recognized NT\$2.884 billion from investments in 2021, up 70.3% from NT\$1.693 billion reported in 2020.

# Review and analysis of financial position and financial performance, and risk management

## VI Risk Management

- (I) Effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Changes of interest rate mainly affect our financial assets. If the interest rate increases by 0.25%, NT\$19.579 million will be added to our net profit before tax for 2021.

We hold some assets and liabilities in foreign currencies. As a result, changes of exchange rate may exposure the Company to risks of decrease in assets denominated in foreign currencies and future cash flow fluctuation. Estimated using the Company's 2021 operating result, if the NT dollar appreciates 1% against the US dollar, net profit before tax would decrease by NT\$907 thousand; if the NT dollar appreciates 1% against the Japanese yen, net profit before tax would increase by NT\$79 thousand; if the NT dollar appreciates 1% against RMB, net profit before tax would decrease by NT\$4,959 thousand.

Impacted by disruption of supply chain and Russo-Ukrainian War, global economy is facing pressure of inflation in the near future whereas the U.S. is consequently tightening its monetary policy. Inflation and interest rate change may cause some effects on the Company's operating costs. For this reason, CMC will continue monitoring any changes to the market and respond with appropriate product and service adjustments.

- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company did not engage in any high-risk investments or highly leveraged investments.
2. The Company engages in loans to other parties, endorsements, guarantees, and derivatives transactions in accordance with its "External Party Lending Procedures", "Endorsement and Guarantee Policy" and "Derivative Transaction Procedures".

- (III) Research and development to be carried out in the future, and further expenditures expected for research and development:

The Company's research and development center is committed to the CARTEC mission and development of product portfolio by following the Company's designated business direction, and undertakes the following technology researches and developments: (1)

## Review and analysis of financial position and financial performance, and risk management

developing vehicle technologies that are rapidly responsive to the market demand characteristics and regulations; (2) developing the system integration ability for initiating differentiated and highly value-added special edition products; (3) Retrofitting products to fit requirements of various overseas regions; (4) Developing products for new energy and energy-saving, and focusing on the integrated design, analysis and verification technology of advanced power system, electronic control system and automotive electronics; (5) Developing forward-looking two-wheel green energy products.

The Company's expected standalone research and develop expenses for 2022 are NT\$1,912,371 thousand.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:  
CMC will continue monitoring the regulations and policies that may have effect on its business and operation, and the important domestic and overseas policies and changes in the legal environment since 2021 do not have any material effect on the Company's financial operation.
- (V) Effect on the Company's financial operations of developments in technology (including cyber security risks) as well as industrial change, and measures to be taken in response:  
In our assessment, there is no material effect on the Company's operation of cyber security risks.
- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The Company purchases from over a hundred partnering suppliers, so there is no consolidation of purchasing operation. Although its sales were mainly made through two dealers, it is the characteristic of this industry to do business with limited number of dealers. The Company signs the contracts with its dealers and owns the equity of these

## Review and analysis of financial position and financial performance, and risk management

dealers in addition to their long-term partnership, so there is no risk associated with consolidation of sales.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.

(XII) Litigious and non-litigious matters: None.

(XIII) Other important risks, and mitigation measures being or to be taken: None.

VII. Other important matters: None.



# Special Disclosure

## I. Summary of affiliates

### (I) Consolidated Business Reports of Affiliated Enterprises

1. Affiliation organizational chart: please refer to Page 226

2. Basic information of affiliates

December 31, 2021

Unit: in thousand

No.	Name of affiliate	Date of establishment	Address	Paid-in capital			Main business or product
				Currency	Amount	Exchange rate	
1	Kian Shen Corporation	May 30, 1963	No. 100, Xinjiang Rd., Yangmei Dist., Taoyuan City	NT	\$734,001	1.000	Truck / bus frames, molds and jigs
2	Kian-Shen Investment Co., Ltd.	March 13, 2002	Portcullis Chambers 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	US	\$ 10,296	27.68	Investments of manufacturing businesses and services
3	Kian Shen Investment Hong Kong Co.Limited	November 15, 2007	15/F.,BOC Group Life Assurance Tower,136 Des Voeux Road Central, Central, HK	US	\$ 25,907	27.68	General investment
4	COC Tooling & Stamping Co., Ltd.	December 2, 1982	No. 412, Sec. 2, Renhe Rd., Daxi Dist., Taoyuan City	NT	\$ 674,591	1.000	Automotive molds, jigs and clamps
5	Y.M.Hitech Industry Ltd.	October 1, 2003	No. 412, Sec. 2, Renhe Rd., Daxi Dist., Taoyuan City	NT	\$ 50,000	1.000	Processing of sheet metal
6	China Engine Corporation	July 24, 1995	No. 3, Chiniudiao, 30th Neighborhood, Hengfeng Vil., Dayuan Dist., Taoyuan City	NT	\$1,689,000	1.000	Car engines and parts manufacturing
7	Hwa Chung Motors	February 15, 2006	No. 618, Xiucan Rd., Yangmei Dist., Taoyuan City	NT	\$ 87,900	1.000	Car manufacturing and sales
8	GreenTrans	December	11F., No. 2,	NT	\$ 10,000	1.000	Sale of

## Special Disclosure

No.	Name of affiliate	Date of establishment	Address	Paid-in capital			Main business or product
				Currency	Amount	Exchange rate	
	Corporation	24, 2009	Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City				motorcycles and parts
9	Ling Wei Motor Co.	November 19, 2007	11F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$ 63,084	1.000	Sale of used cars
10	GreenTrans Investment Corporation	March 14, 2012	Offshore Chambers, P.O.Box 217, Apia, Samoa	US	\$ 11,200	27.68	General investment
11	Jangsu GreenTrans Electromechanical Co., Ltd.	July 10, 2012	No. 130, Yanshan W. Road, Chengxiang Town Industrial Park, Taicang City, Jiangsu Province, China	US	\$ 11,200	27.68	Manufacturing and sale of electronic motorcycle parts and components
12	Brilliant Insight International Consultancy Service Co., Ltd.	January 16, 2014	No. 3, Qingnian Rd., 6th neighborhood, Gaushan Vil., Yangmei Dist., Taoyuan City	NT	\$ 22,000	1.000	Consultancy Service
13	Fujian Rui Hua Consulting Co., Ltd.	April 24, 2013	Southeast (Fujian) Automobile Industry Co., Ltd. comprehensive office building, Southeast Qingkou Investment Zone, Minhou County	US	\$ 3,400	27.68	Consultancy Service
14	Hwa Wei Holdings	May 26, 1995	Citco Building, Wickhams Cay, P. O. Box 662, Road Town,	US	\$ 100	27.68	Overseas investments of manufacturing businesses and

## Special Disclosure

No.	Name of affiliate	Date of establishment	Address	Paid-in capital			Main business or product
				Currency	Amount	Exchange rate	
			Tortola, British Virgin Island				services
15	China Motor Investment Co.,Ltd.	November 8, 2005	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	US	\$ 40	27.68	General investment
16	Alliance Investment & Management	January 11, 1999	13F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$1,830,000	1.000	General investment
17	Sino Diamond Motors Corporation	June 5, 1993	11F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$1,510,670	1.000	Sale of cars and provision of after-sale service
18	Hwa-Yu Corporation Ltd.	November 12, 2003	2 <sup>nd</sup> Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	US	\$ 36,943	27.68	Overseas investments of manufacturing businesses and services
19	Hwa-Lin Investments Ltd.	December 14, 1999	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Island	US	\$ 33,393	27.68	Overseas investments of manufacturing businesses and services
20	Tianjin Hwarui Maintenance Co., Ltd.	September 22, 2003	Block A, Wanglanzhuang Automobile City, Weijin South Road, Xiqing District, Tianjin	US	\$ 8,020	27.68	Sale of motors and parts
21	Dongguan Huayi Motor Maintenance Co., Ltd.	July 11, 2006	Hengkeng Section, Guanzhang Road, Liaobu	US	\$ 4,450	27.68	Sale of motors and parts

Special Disclosure

No.	Name of affiliate	Date of establishment	Address	Paid-in capital			Main business or product
				Currency	Amount	Exchange rate	
			Town, Dongguan City				
22	Dongguan Huashun Motor Sales Co., Ltd.	October 18, 2002	Hengkeng Section, Guanzhang Road, Liaobu Town, Dongguan City	CNY	\$ 25,000	4.344	Sale of motors and parts

## Special Disclosure

3. Particulars of shareholders in common of companies presumed to have a relationship of control and subordination: None.

4. Information of the directors, supervisors, and general manager of each affiliate

December 31, 2021

Unit: shares ; %

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2022)	Number of shareholding (Note 1), (Note 2)	
			Shares	% of shareholding
Kian Shen Corporation	Chairman	China Motor Corporation	32,201,367	43.87%
	Director	Representative: Chao-Wen Chen China Motor Corporation	32,201,367	43.87%
	Director	Representative: Chiung-Chin Tseng Yulon Management Co.,Ltd.	10,600	0.01%
	Director	Representative: Hsin-Cheng Tseng Hung-Ching Yang Kuozei Motors, Ltd.	24,178,711	32.94%
	Independent Director	Representative: Wen-Chi Chien Kun-Sheng Lan Naoki Kobayashi	0	
	Independent Director	Wei-Ching Lu Te-Chang Yeh	0	
	Independent Director Supervisor	Wei Tai Investment Co., Ltd. Representative: Ching-Wu Chien Yuan-Lung Chen	740,857	1.01%
Kian Shen Investment Co., Ltd.	General Manager	Chiung-Chin Tseng		
	Director	Kian Shen Corporation Representative: Chao-Wen Chen	10,296,105 (US\$1 per share)	100.00%
Kian Shen Investment Hong Kong Co.Limited	Director	Kian Shen Investment Co., Ltd. Representative: Chao-Wen Chen	25,907,038 (US\$1 per share)	100.00%
COC Tooling & Stamping Co., Ltd.	Chairman	China Motor Corporation	33,564,678	49.76%
	Director	Representative: Chao-Wen Chen China Motor Corporation	33,564,678	49.76%
	Director	Representative: Hung-Ching Yang Chin-Huang Chang Yulon Motors Co., Ltd.	25,469,581	37.76%
	Supervisor	Representative: Chung-Yuan Chen Ping-Lin Chen Tai Yuan Textile Co., Ltd.		
	General Manager	Representative: Yuan-Lung Chen Chin-Huang Chang	8,421,863	12.48%
Y.M.Hitech Industry Ltd.	Chairman	COC Tooling & Stamping Co., Ltd. Representative: Chin-Huang Chang	4,250,000	85.00%
	Director	COC Tooling & Stamping Co., Ltd. Representative: Chia-Pin Lin Shou-Hsu Chiu Keng-Chieh Huang	4,250,000	85.00%
	Director	Metal One Corporation Representative: Chia-Wei Hung	750,000	15.00%

## Special Disclosure

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2022)	Number of shareholding (Note 1), (Note 2)	
			Shares	% of shareholding
	Supervisor General Manager	Mei-Ching Wu Chia-Pin Lin		
China Engine Corporation	Chairman	Yulon Motors Co., Ltd. Representative: Hung-Cheng Chen	64,454,000	38.16%
	Director	Yulon Motors Co., Ltd. Representative: Chien-Hui Li	64,454,000	38.16%
	Director	China Motor Corporation Representative: Chen-Hsing Chu Min-Hui Chiu Tung-Tai Hsiung	87,999,000	52.10%
	Supervisor	Sino Diamond Motors Corporation Representative: Chun-Ching Liao	1,000	0.00%
	Supervisor	Sentec E&E Co., Ltd. Representative: Chao-Hui Huang	10,223,000	6.05%
	General Manager	Hung-Cheng Chen		
Hwa Chung Motors	Chairman	China Motor Corporation Representative: Chao-Wen Chen	8,790,000	100.00%
	General Manager	Hsin-Cheng Tseng		
Greentrans Corporation	Chairman	Sino Diamond Motors Corporation Representative: Hsin-Cheng Tseng	1,000,000	100.00%
	General Manager	Hua-Hsun Yin		
Ling Wei Motor Co.	Chairman	Sino Diamond Motors Corporation Representative: Hsin-Cheng Tseng	6,308,397	100.00%
	General Manager	Chen-Ting Chao		
GreenTrans Investment Corporation	Director	Alliance Investment & Management Representative: Chao-Wen Chen	11,200,000 (US\$1 per share)	100.00%
Jangsu Greentrans Electromechanical Co., Ltd.	Executive Director	GreenTrans Investment Corporation Representative: Chen-Hsing Chu	11,200,000 (Capital contribution in US\$)	100.00%
	Supervisor	GreenTrans Investment Corporation Representative: Ching-Wu Chien	11,200,000 (Capital contribution in US\$)	100.00%
	General Manager	Shih-Ching Yao		
Brilliant Insight International Consultancy Service Co., Ltd.	Chairman	Sino Diamond Motors Corporation Representative: Ching-Wu Chien	2,200,000	100.00%
	General Manager	Ming-Cheng Sung		
Fujian Rui Hua Consulting Co., Ltd.	Executive Director	Hwa-Yu Corporation Ltd. Representative: Ching-Wu Chien	3,400,000 (Capital contribution in US\$)	100.00%
	Supervisor	Hwa-Yu Corporation Ltd. Representative: Chun-Ching Liao	3,400,000 (Capital contribution in	

## Special Disclosure

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2022)	Number of shareholding (Note 1), (Note 2)	
			Shares	% of shareholding
	General Manager	Ching-Wu Chien	US\$)	
Hwa Wei Holdings	Director	China Motor Corporation Representative: Chao-Wen Chen	40,000 (US\$1 per share)	40.00%
China Motor Investment Co.,Ltd.	Director	China Motor Corporation Representative: Chao-Wen Chen	40,000 (US\$1 per share)	100.00%
Alliance Investment & Management	Chairman	China Motor Corporation Representative: Chao-Wen Chen	183,000,000	100.00%
	Director	China Motor Corporation Representative: Li-Lien Yen Chen Ching-Wu Chien	183,000,000	100.00%
	Supervisor	China Motor Corporation Representative: Chun-Ching Liao	183,000,000	100.00%
	General Manager	Chao-Wen Chen		
Sino Diamond Motors Corporation	Chairman	China Motor Corporation Representative: Chao-Wen Chen	151,067,030	100.00%
	General Manager	Hsin-Cheng Tseng		
Hwa-Yu Corporation Ltd.	Director	Sino Diamond Motors Corporation Representative: Chao-Wen Chen	36,942,942 (US\$1 per share)	100.00%
Hwa-Lin Investments Ltd.	Director	Hwa-Yu Corporation Ltd. Representative: Chao-Wen Chen	33,392,942 (US\$1 per share)	100.00%
Tianjin Hwarui Maintenance Co., Ltd.	Chairman	Hwa-Lin Investments Ltd. Representative: Ching-Wu Chien	8,000,000 (Capital contribution in US\$)	99.75%  0.25%
	Vice Chairman	Dongguan Huayi Motor Maintenance Co., Ltd. Representative: Cheng-Chang Huang	20,000 (Capital contribution in US\$)	99.75%  99.75%
	Director	Hwa-Lin Investments Ltd. Representative: Hua-Hsun Yin	8,000,000 (Capital contribution in US\$)	
	Supervisor	Hwa-Lin Investments Ltd. Representative: Chun-Ching Liao	8,000,000 (Capital contribution in US\$)	
	General Manager	San-He Wang	8,000,000 (Capital contribution in US\$)	
Dongguan Huayi Motor Maintenance Co., Ltd.	Executive Director	Hwa-Lin Investments Ltd. Representative: Ching-Wu Chien	4,450,000 (Capital contribution in US\$)	100.00%  100.00%
	Supervisor	Hwa-Lin Investments Ltd. Representative: Chun-Ching Liao	4,450,000 (Capital contribution in US\$)	
	General	Hsun-Wen Liu		

## Special Disclosure

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2022)	Number of shareholding (Note 1), (Note 2)	
			Shares	% of shareholding
	Manager			
Dongguan Huashun Motor Sales Co., Ltd.	-	The company registration was canceled in February 2022.	-	-

Note: 1. If the investee is a company limited by shares, number and percentage of shareholding shall be disclosed, and amount and percentage of capital contribution shall be disclosed for the remainders.

2. When directors or supervisors are juristic persons, the relevant information of representative shall be disclosed.



## Special Disclosure

### 5. Operation overview of each affiliate

December 31, 2021

Unit: in NT\$ thousand, except earnings per share is in NT\$

Name of affiliate	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	(Loss) profit (after tax) for the period	Earnings per share (after tax)
Kian Shen Corporation	734,001	5,323,405	884,484	4,438,921	1,275,608	14,800	306,767	4.18
Kian Shen Investment Co., Ltd.	328,888	4,267,016	478	4,266,538	0	(114)	367,248	35.67
Kian Shen Investment Hong Kong Co.Limited	717,106	4,180,378	41,042	4,139,336	0	(176)	334,856	12.93
COC Tooling & Stamping Co., Ltd.	674,591	2,040,370	553,207	1,487,163	1,184,420	125,970	118,592	1.76
Y.M.Hitech Industry Ltd.	50,000	262,859	171,027	91,832	344,265	17,462	14,323	2.86
China Engine Corporation	1,689,000	1,320,270	485,064	835,206	219,101	(18,685)	(25,601)	(0.15)
Hwa Chung Motors	87,900	81,716	100	81,616	0	(245)	2,921	0.33
Greentrans Corporation	10,000	38,039	27,579	10,460	80,340	33	43	0.04
Ling Wei Motor Co.	63,084	129,531	62,648	66,883	190,848	1,969	2,935	0.47
GreenTrans Investment Corporation	344,369	211,089	0	211,089	0	0	(5,091)	(0.45)
Jangsu Greentrans Electromechanical Co., Ltd.	310,016	230,265	19,189	211,076	91,854	(5,546)	(5,090)	-
Brilliant Insight International Consultancy Service Co., Ltd.	22,000	33,683	11,003	22,680	40,734	(5,397)	(3,365)	(1.53)
Fujian Rui Hua Consulting Co., Ltd.	94,112	314,757	228,147	86,610	4,911	(2,262)	(1,777)	-
Hwa Wei Holdings	3,080	412,442	0	412,442	0	0	(400,999)	(4,009.99)
China Motor Investment Co.,Ltd.	1,402	249,510	0	249,510	0	0	(240,624)	(6,015.60)
Alliance Investment &	1,830,000	1,285,014	202	1,284,812	0	(184)	11,102	0.06

## Special Disclosure

Name of affiliate	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	(Loss) profit (after tax) for the period	Earnings per share (after tax)
Management								
Sino Diamond Motors Corporation	1,510,670	2,835,534	1,350,620	1,484,914	1,809,632	49,278	92,079	0.61
Hwa-Yu Corporation Ltd.	1,173,922	867,762	0	867,762	0	0	56,473	1.53
Hwa-Lin Investments Ltd.	1,054,045	781,115	0	781,115	0	(1,201)	58,251	1.74
Tianjin Hwarui Maintenance Co., Ltd.	221,994	190,927	19,200	171,727	24,223	(13,887)	(25,409)	–
Dongguan Huayi Motor Maintenance Co., Ltd.	123,176	51,329	9,301	42,028	7	(115)	27,771	–
Dongguan Huashun Motor Sales Co., Ltd.	108,600	53,120	12,134	40,986	17,464	10,814	27,778	–

- (II) Consolidated financial statements of affiliates: They are the same as those included in the consolidated financial statements.

## Special Disclosure

### Declaration for the consolidated financial statements of affiliates

The entities that are required to be included in the combined financial statements of China Motor Corporation as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Motor Corporation does not prepare a separate set of combined financial statements.

Very truly yours,

China Motor Corporation



Chairperson: Li-Lien Yen Chen



March 15, 2022

(III) Affiliation report: None.

## Special Disclosure

- II. Private Placement Securities in 2021 and as of March 31, 2022: None.
- III. Status of the Company's Shares Held or Disposed of by Subsidiaries in 2021 and as of March 31, 2022: None.
- IV. Other Necessary Supplement: None.
- V. Any Events in 2021 and as of March 31, 2022 that Had Material Impacts on Shareholders' Interests or Securities Prices: None.

China Motor Corporation



Chairperson 嚴陳莉蓮

Li-Lien Yen Chen