

Stock Code : 2204

China Motor Corporation

2022 Annual Report

(Translation)

Printed on March 31, 2023

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

Title: Manager of the Corporate Planning Division

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II. Address and telephone number of headquarters, branch offices, and plants;

Headquarter: 11F., No. 2, Sec. 2, Dunhua S. Rd., Taipei City

Telephone: (02)23250000

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III. The name, address, telephone number and website of the agency handling shares transfer

China Motor Corporation

Address: 7F., No. 150, Sec. 2, Nanjing E. Rd., Taipei City

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, Shiow-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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Report to Shareholders

Dear Shareholders,

Last year (2022), the total sales of Taiwan's overall automotive market reduced by 4.47% to 429,738 vehicles. In response to the unfavorable factors including COVID-19, supply chain shortages, and soaring material costs, we actively adopted various counteractions and introduced a range of new models. The annual car sales and consolidated net income were 43,939 units (including OEM and imported models) and NT\$1.94 billion. Influenced by the single huge-amount loss on the epidemic insurance policy sold by investee Tokio Marine Nawa Insurance Co., Ltd., the net income after tax was NT\$7.604 billion, with an EPS of NT\$14.22. Tokio Marine Nawa already recognized all related losses in 2022, made a full review of the incident, and strengthened the risk management mechanism. In 2023, it will resume steady profitability and pursue growth.

To stabilize market status and maintain ESG, we enhance product competitiveness while actively develop various new energy car products at the same time. In commercial vehicles (CV), based on the independent R&D strategy, we launched the brand-new CMC P350 Hybrid in 2022 and will introduce the facelift model of the electric Veryca and Zinger recreational car in 2023. In passenger cars, we will launch the Mitsubishi Eclipse Cross PHEV in response to the new energy trend. In terms of brand diversification, after introducing the MG HS 1.5T and PHEV, which became bestsellers, in 2022, the HS 2.0T introduced in 2023Q1 also earned critical acclaim. Next, we continue to introduce other global strategic models of MG to deploy fuller product ranges. Despite the economic slowdown continues this year, we will actively implement various strategies and challenge the annual sales target of 53,000 units (including OEM and imported models).

Report to Shareholders

In the overseas market, as high inflation will continue to dominate the world in 2023, and alongside the emergence of more new competing brands in our major market: the Middle East, we will strengthen cooperation with local dealers and introduce the Delica van to muscle into the logistics market to challenge a total export sales target of 1,050 units. The annual sales of our Chinese investee Fujian Benz Automotive in 2022 reached 33,000 units. Through the strategy to strengthen channel operations, annual sales of 34,000 units are expected for 2023.

In the electric bicycle sector, our charging diversity solution have earned market recognition, as witnessed by the total sales of 6,500 units in 2022, up by 20% over the previous year. Look out in 2023, apart from introducing brand-new heavy battery-replacement and special-edition models to continuously broaden the deployment in the electric bike market, we will also actively develop the youth market segment and introduce multifaceted channel models to ensure the continuous growth in annual sales. In the future, we will capture the advantages of key system technology and platform-based development model to introduce various new car models more quickly with the most cost-effective methods.

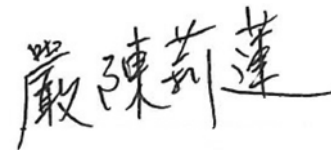
To continuously fulfill corporate social responsibility, we have been ranked in the top 5% of listed companies during the Corporate Governance Evaluation of the Taiwan Stock Exchange. In 2022, we also earned the BSI Award for sustainable resilience and the Silver Award at the National Enterprise Environmental Protection Award. Earlier this year (2023), we already announced the Net

Report to Shareholders

Zero 2050 Manifesto with our suppliers to demonstrate our determination in net-zero transformation.

Lastly, we wholeheartedly appreciate the dedicated support and encouragement of shareholders. However keen the market competition is, we will continue to create better sales achievements for the Company to reciprocate our shareholders.

Chairperson

A handwritten signature in black ink, consisting of the Chinese characters '陳燕燕' (Chen Yanyan) in a cursive style.

March 31, 2023

Corporate Governance Report

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.
- Year 2013 Self-owned brand 3.5T Leadca commercial vehicle was released.

Corporate Governance Report

- 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.
- Year 2022 Introduced the 100-year-old UK brand MG into Taiwan.
- Year 2022 Launched the CMC P350 Hybrid, a hybrid electric commercial vehicle using the integrated starter generator (ISG).

III. Business Results

- (1) Ranked in the top 5% of listed companies at the Corporate Governance Evaluation for eight consecutive years.
- (2) Awarded the First Prize for Elder-Friendly Outstanding Solution at the 19th Annual Corporate Social Responsibility and ESG Award by Global Views Monthly.
- (3) Awarded the Corporate Sustainability Report Awards: Silver at the 15th Taiwan Corporate Sustainability Awards.
- (4) Ranked the 17th in the Large Enterprise Category and 2nd in the Automotive Sector at the Excellence in Corporate Social Responsibility of CommonWealth Magazine.
- (5) Silver Award at the 4th National Enterprise Environmental Protection Award.
- (6) Awarded the Work-Life Balance Award of the Ministry of Labor.
- (7) Awarded the 2002 BSI Award for sustainable resilience.
- (8) Awarded the Gold Award for Auto Parts Retailer at the 2022 The Best Service in Taiwan.

Corporate Governance Report

- (9) Awarded the Gold Award for Auto Parts Retailer at the 2022 Taiwan Best Customer Center Award.

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) 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 5,000 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.

(II) “Tyre Check for Child Safety” service to safeguard children

To expand the scope of “mobile service” and take care of the riding safety of vulnerable children, we launched the “Tyre Check for Child Safety” service through collaboration with MAXXIS and CPC Corporation, Taiwan. During the event period, the company cars of child welfare groups across Taiwan could enjoy free routine inspection and maintenance service (free oil replacement, including materials (oil and filter) and labor) for their CMC vehicles. The event also offered “buy one get one free” of MAXXIS tyres for all CMC models for social welfare service cars (CMC) with aged tyres so as to safeguard each mile of commuting for vulnerable children and social workers.

(III) Guarding Safety: Happy & Safe CMC Vehicle for the remote

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, 12 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

Since 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. It provides 40 “Happy Bus 2.0” transportation routes for the two places, increasing the Coverage rate for public transport to 93%.

(V) Support for “Remote Schools Central Kitchen Program”

In 2022, we supported the “Remote Schools Central Kitchen Program” by building a delivery network for remote elementary schools with 225 Delica lorries. To facilitate smooth lunch delivery into schools, apart from tracking all lorries with cloud GPS, AI was adopted for route, time, and temperature management to ensure warm lunch for schoolchildren and transparent food safety through full-range AI monitoring of smart lunch delivery. To maintain driving safety, each lorry is equipped with safety features including the dash cam, blind spot detection, and backup camera and buzzer to ensure the safe delivery of nutritional and tasty lunches to schoolchildren in remote townships.

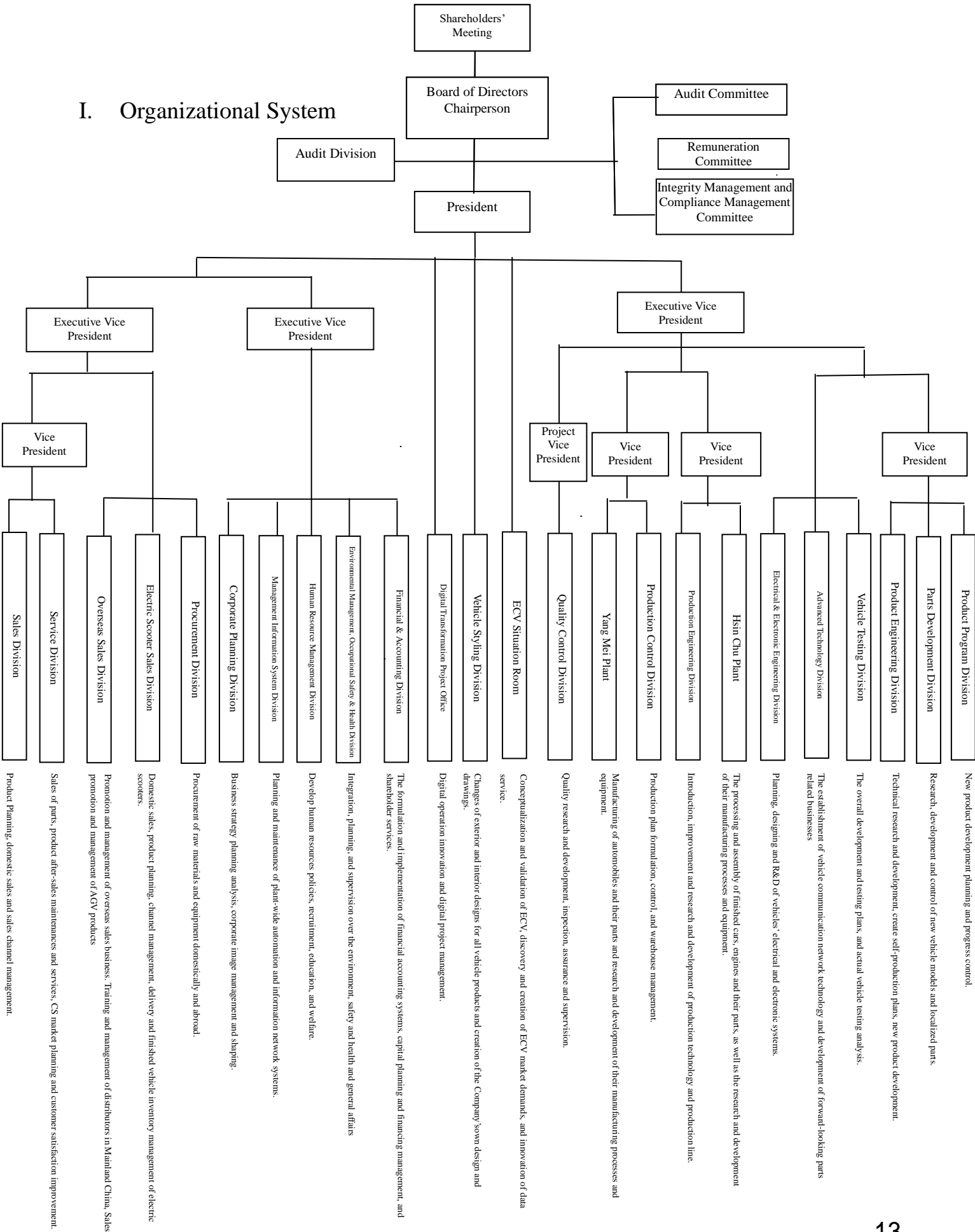
Corporate Governance Report

(VI) Natural pool restoration

To maintain biodiversity and realize “community common good” for sustainability, apart from long-term river adoption at the Xiucaiwo Section, we also began to implement the lotus pond improvement project in the Yangmei Plant in 2017 and invested NT\$6 million in building the CMC Natural Pond. Over the years we have successfully restored nine Fagaceae plants, including the Formosan Tanoak, Konishii Tanoak, Borbor Oak, Taroko Oak, Revolute Cupule Oak. In the future, we will train environmental volunteers to engage with species restoration and community guided tour services.

Additionally, from 2021 onward, Hsinchu Plant built the 15MT plus 10MT ground rainwater storage with rainwater harvested from the west roof based on the plant’s topological advantage and reengineered the enclosure walls into vertical gardens and constructed a small natural pond to grow vegetable and strawberries, forming an open circulation system using rainwater as the water source of the pond where endemic aquatic organisms are cultured, including the stone moroko (*Pseudorasbora parva*), yellow water lily (*Nuphar shimadae*), hygrophila (*Hygrophila salicifolia*), small floating heart (*Nymphoides aurantiaca*), and others. They also grow Fushan lettuce (*Lactuca sativa* var. *sativa*) and strawberries. After ripening, they become the extra dish and after-meal fruit of employees and earn praise from employees.

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, 2023

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	2022.06.23	1994.07.01	3 years	44,592,177 *2,216,162	8.05 0.40	44,592,177 *2,216,162	8.05 0.40	4,432,322	0.80
Director	Japan	Mitsubishi Motors Corporation Representative Yoichi Yokozawai (Note)	Male 55-60 years old	2022.06.23	2022.04.15	3 years	77,507,309	14.00	77,507,309	14.00	-	-
Director	R.O.C.	Tai Yuen Textile Co., Ltd. Representative Hsin-I Lin	Male 75-80 years old	2022.06.23	1984.07.20	3 years	139,435,815	25.19	139,435,815	25.19	-	-

*It indicates personal shareholding.

Note: Director Yoichi Yokozawai was the representative of Mitsubishi Motors Corporation. From April 14, 2023, Yoshinori Yamazaki took over his place as the director representative.

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"	-	-	-	-
-	-	Graduate School of Economics, Faculty of Economics, The University of Tokyo, 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.	Le Wen Enterprise Co., Ltd. Representative Chen-Hsiang Yao	Male 65-70 years old	2022.06.23	2021.02.26	3 years	2,215,760	0.40	2,215,760	0.40	-	-
Director	R.O.C.	Tai Yuen Textile Co., Ltd. Representative Chao-Wen Chen	Male 60-65 years old	2022.06.23	2016.06.24	3 years	139,435,815	25.19	139,435,815	25.19	-	-
Director	R.O.C.	Yulon Motor Co., Ltd. Representative Tai-Ming Chen	Male 55-60 years old	2022.06.23	2008.07.21	3 years	44,592,177	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. Vice Chairperson, Yulon Construction Co., Ltd. Director, Luxgen Motor Co., Ltd. Director, Yulon Management Co., Ltd. Chairman, Yulon (China) Automobile Investment Company Director, LUXGEN Taipei Motor Co., Ltd. Director, LUXGEN Taoyuan Motor Co., Ltd. Director, LUXGEN Tainan Motor 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, COC Tooling & Stamping Co., Ltd.. Chairperson, Fortune Motors Co., Ltd Director, Shung Ye Motor Co., Ltd. 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, Orient Pharma Co., Ltd.	-	-	-	-

Corporate Governance Report

Title	Nation ality or place of registra tion	Name	Gender Age	Elected date	The commence ment date of the first term	Term of contra ct	Shareholding when elected		Current shareholding		Spouse and children of minor age's current shareholding	
							Number of shares	%	Number of shares	%	Num ber of shar es	%
Indepen dent Director	R.O.C.	Chi-Chi ng Chen	Male 65-70 years old	2022.06.23	2016.06.24	3 years	-	-	-	-	-	-
Indepen dent Director	R.O.C.	Wei-Chi ng Lue	Female 65-70 years old	2022.06.23	2019.06.26	3 years	-	-	-	-	-	-
Indepen dent Director	R.O.C.	Yi-Hong H s i e h	Male 60~65 years old	2022.06.23	2022.06.23	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, 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 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	-	-	-	-
-	-	LL.D., School of Law, Stanford University, USA.	Member of Remuneration Committee, China-Motor Corporation Independent Director, Yulon Finance Corporation Independent Director, momo.com Inc.	-	-	-	-

Corporate Governance Report

Table 1: Major Shareholders of the Institutional Shareholders

April 1, 2023

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. (1.66%) 7. Shih-Ching Lin (1.30%) 8. Yen Tjing Ling Industrial Development Foundation (1.10%) 9. New Labor Pension Fund (1.09%) 10. JP Morgan Chase Bank in its Capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund (0.76%)
3. Mitsubishi Motors Corporation	1. Nissan Motor Co., Ltd. (34.01%) 2. Mitsubishi Corporation (20.00%) 3. The Master Trust Bank of Japan, Ltd. (Trust Account) (7.12%) 4. MSCO CUSTOMER SECURITIES (1.49%) 5. Mitsubishi Heavy Industries, Ltd. (1.44%) 6. Custody Bank of Japan, Ltd. (Trust Account) (1.17%) 7. Mitsubishi UFJ Trust and Banking Corporation (0.99%) 8. JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO (0.61%) 9. CGMI PB CUSTOMER ACCOUNT (0.58%) 10. JP MORGAN CHASE BANK 385781 (0.56%)
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 1, 2023

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. New Labor Pension Fund (1.88%) 6. Taiwan Life Insurance Co., Ltd. (1.18%) 7. Investment account at the Norges Bank under the custody of Citibank (1.01%) 8. Fan-Terh Investment Co., Ltd. (0.90%) 9. Yung Han Investment Co., Ltd. (0.72%) 10. UPAMC Optima Fund under custody of the Trust Services Department, First Commercial Bank (0.68%)
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. Nissan Motor Co., Ltd.	1. Renault S.A. (43.40%) 2. The Master Trust Bank of Japan Ltd.(Shintaku-guchi) (8.99%) 3. The Chase Manhattan Bank, N.A. London Special Account No.1 (2.99%) 4. Custody Bank of Japan (Shintaku-guchi) (2.33%) 5. GIC PRIVATE LIMITED-C (1.01%) 6. State Street Bank West Client - Treaty 505234 (0.96%) 7. Nippon Life Insurance (0.90%) 8. Moxley and Company (0.66%) 9. JP Morgan Chase Bank 385781 (0.62%) 10. SSBTC CLIENT OMNIBUS ACCOUNT (0.58%)
16. Mitsubishi Corporation	1. The Master Trust Bank of Japan, Ltd. (Trust Account) (16.05%) 2. Custody Bank of Japan, Ltd. (Trust Account) (6.70%) 3. EUROCLEAR BANK S.A./N.V. (5.29%) 4. Meiji Yasuda Life Insurance Company (3.98%) 5. Tokio Marine & Nichido Fire Insurance Co. (3.19%) 6. The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Ltd. Retirement Benefit Trust Account) (2.20%) 7. STATE STREET BANK WEST CLIENT - TREATY 505234 (1.59%) 8. JP Morgan Securities Co., Ltd. (1.40%) 9. The Master Trust Bank of Japan, Ltd. (Mitsubishi Electric Corporation Retirement Benefit Trust Account) (1.21%) 10. JP MORGAN CHASE BANK 385781 (1.07%)
17. The Master Trust Bank of Japan, Ltd. (Trust Account)	1. Mitsubishi UFJ Trust and Banking Corporation (46.50%) 2. Nippon Life Insurance Company (33.50%) 3. Meiji Yasuda Life Insurance Company (10.00%)

Corporate Governance Report

Name of the Corporation	Major Shareholders of the Corporation
	4. The Norinchukin Trust & Banking Co., Ltd. (10.00%)
18. MSCO CUSTOMER SECURITIES	The information is not available due to the limitations of local practices.
19. Mitsubishi Heavy Industries, Ltd.	1. The Master Trust Bank of Japan, Ltd. (Trust Account) (14.80%) 2. Custody Bank of Japan, Ltd. (Trust Account) (5.10%) 3. Meiji Yasuda Life Insurance Company (2.30%) 4. The Nomura Trust and Banking Co., Ltd. Retirement Benefit Trust Mitsubishi UFJ Bank Account) (1.90%) 5. Mitsubishi Heavy Industries Shareholding Organization (1.60%) 6. STATE STREET BANK WEST CLIENT-TREATY 505234 (1.60%) 7. THE BANK OF NEW YORK MELLON 140044 (1.20%) 8. STATE STREET BANK AND TRUST COMPANY 505225 (1.10%) 9. JP MORGAN CHASE BANK 385781 (1.10%) 10. STATE STREET BANK AND TRUST COMPANY 505001 (1.00%)
20. Custody Bank of Japan, Ltd. (Trust Account)	1. Sumitomo Mitsui Trust Holdings, Inc. (33.30%) 2. Mizuho Financial Group, Inc (27.00%) 3. Resona Bank, Limited (16.70%) 4. Dai-ichi Life Insurance Company, Limited (8.00%) 5. Asahi Mutual Life Insurance Company (5.00%) 6. Meiji Yasuda Life Insurance Company (4.50%) 7. Japan Post Life Insurance Co., Ltd. (3.50%) 8. Fukoku Mutual Life Insurance Company (2.00%)
21. Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Financial Group, Inc. (100%)
22. JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	The information is not available due to the limitations of local practices.
23. CGMI PB CUSTOMER ACCOUNT.	The information is not available due to the limitations of local practices.
24. JP MORGAN CHASE BANK 385781	The information is not available due to the limitations of local practices.
25. Wei Tai Investment Co., Ltd.	1. Li-Lien Chen Yen (33.32%) 2. Daughter of Li-Lien Chen Yen (33.29%) 3. Son of Li-Lien Chen Yen (33.29%) 4. Fan-Terh Investment Co., Ltd. (0.04%) 5. Wavin Investment Co., Ltd. (0.02%) 6. Le Wen Enterprise Co., Ltd. (0.02%) 7. Jing Yu Investment Co., Ltd. (0.02%).
26. Wavin Investment Co., Ltd.	1. Li-Lien Chen Yen (28.84%) 2. Daughter of Li-Lien Chen Yen (28.73%) 3. Son of Li-Lien Chen Yen (28.73%) 4. Le Wen Enterprise Co., Ltd. (11.39%) 5. Jing Yu Investment Co., Ltd. (2.11%) 6. Fan-Terh Investment Co., Ltd. (0.10%) 7. Wei Tai Investment Co., Ltd. (0.10%)

Corporate Governance Report

(II) Directors' Professional Expertise and Independence Status

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

March 31, 2023

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 Page14-19	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.	-
Yoichi Yokozawai	Male	Japan	65-70 years old	Professional qualification: International Business Management Experience: Please refer to the director's information on Page14-19		-
Hsin-I Lin	Male	R.O.C.	75-80 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page14-19		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 Page14-19		-
Chao-Wen Chen	Male	R.O.C.	60-65 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page14-19		-
Tai-Ming Chen	Male	R.O.C.	55-60 years old	Professional qualification: Laws Experience: Please refer to the director's information on Page14-19		2
Independent Director Chi-Ching Chen	Male	R.O.C.	65-70 years old	Professional qualification: Operations management Experience: Please refer to the director's information on Page14-19		1
Independent Director Wei-Ching Lue	Female	R.O.C.	65-70 years old	Professional qualification: Finance and commerce Experience: Please refer to the		-

Corporate Governance Report

				director's information on Page14-19		
Independent Director Yi-Hong Hsieh	Male	R.O.C.	60-65 years old	Professional qualification: Laws Experience: Please refer to the director's information on Page14-19		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 professional management advice, the Company's Board of Directors should include at least one Director or Independent Director with professional background (such as accounting).

Corporate Governance Report

- (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.	Yang, Hung-Ching	Male	2022.01.01	-	-	-	-	-	-

Corporate Governance Report

March 31, 2023

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	
<p>Executives Program of Graduate School of Business Administration, National Chengchi University</p> <p>Department of Chemical Engineering, Chung Yuan Christian University</p> <p>Executive Vice President, China-Motor Corporation</p> <p>Vice President, China-Motor Corporation</p> <p>General Manager, Production Technology Division, China-Motor Corporation</p>	<p>Director and General Manager, China-Motor Corporation</p> <p>Chairperson, Kain Shen Corporation</p> <p>Chairperson, ROC-Spicer Ltd.</p> <p>Chairperson, COC Tooling & Stamping Co., Ltd..</p> <p>Chairperson, Fortune Motors Co., Ltd.</p> <p>Director, Shung Ye Motor Co., Ltd</p> <p>For other details, please refer to the “Summary of affiliated companies”</p>	-	-	-	-
<p>MBA, National Chengchi University</p> <p>Department of Nuclear Engineering and Science, National Tsing Hua University</p> <p>Vice President, China-Motor Corporation</p> <p>General Manager, Service Division, China-Motor Corporation</p>	<p>Director, Kain Shen Corporation</p> <p>Director, ROC-Spicer Ltd.</p> <p>Director, Fortune Motors Co., Ltd.</p> <p>Director, Shung Ye Motor Co., Ltd</p> <p>Director, Fu-Lun Motors Co., Ltd.</p> <p>Chairperson, ADVANCISION CORPORATION</p> <p>Chairperson, ADVANCISION (CAYMAN) INDUSTRIES CO., LTD.</p> <p>Chairperson, ADVANCISION (SAMOA) CORPORATION</p> <p>Chairperson, FUZHOU SAMUEL MACHINERY & ELECTRONICS</p> <p>For other details, please refer to the “Summary of affiliated companies”</p>	-	-	-	-
<p>Department of Mechanical Engineering, National Sun Yat-Sen University</p> <p>Vice President, China-Motor Corporation</p> <p>General Manager, Development Division, China-Motor Corporation</p> <p>Project General Manager, Electrical Engineering and Electronics Division, China-Motor Corporation</p>	<p>Director, Kain Shen Corporation</p> <p>Director, ROC-Spicer Ltd.</p> <p>Director, Uni-Calsonic Corp.</p> <p>Director, Fuzhou Fushiang Motor Co., Ltd.</p>	-	-	-	-

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.	Ching-Wu Chien	Male	2021.09.01	-	-	-	-	-	-
Vice President	R.O.C.	Ching-Yun Liao	Male	2020.01.01	29	-	-	-	-	-
Vice President	R.O.C.	Tung-Tai Hsiung	Male	2022.01.01	-	-	-	-	-	-
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	
Executives Program of Graduate 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	Supervisor, Kain Shen Corporation Director, Fortune Motors Co., Ltd. Director, Fujian Benz Automotive Co., Ltd. Director, Mercedes-Benz Light Automotive Hongkong Limited For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
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.	-	-	-	-
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, Yueki Industrial Co., Ltd. Director, COC TOOLING & STAMPING CO., LTD. For other details, please refer to the “Summary of affiliated companies”	-	-	-	-
Graduate School, Department of Mechanical Engineering, National Taiwan University Department of Mechanical Engineering, Tamkang University General Manager, Development Division, China-Motor Corporation Project General Manager, Development Division, China-Motor Corporation	Director, Taiway Industry Co., Ltd. Director, Fujian Spicer Drivetrain System Co., Ltd. Director, Shenyang Spicer Driveshaft Co., Ltd. Director, Tai-ya Investment (HK) Co., Ltd.	-	-	-	-

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.	Ching-Chi Chen	Male	2023.01.01	68	-	-	-	-	-
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 Manager, Production Management Division, China-Motor Corporation Plant Director, Yang Mei Plant, China-Motor Corporation	Director, Uni Auto Parts Manufacture Co., Ltd. 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 3)		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	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.	-	-	-	-	-	124	-	-	-	124	Note 4	-	-	-	-	-	-	-	-	-	124	註 4	-		
Corporate Director	Tai-Yuen Textile Co., Ltd.	-	-	-	-	-	62	-	-	-	62		-	-	-	-	-	-	-	-	-	62		-		
Corporate Director	Mitsubishi Motors	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-		350		
Corporate Director	Le Wen Enterprise Co., Ltd.	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-		-		
Chairperson	Li-Lien Chen Yen	15,904	15,904	-	-	-	-	1,578	1,578	17,482	17,482		-	-	-	-	-	-	-	-	17,482	17,482		13,960		
Director	Hsin-I Lin	-	-	-	-	-	-	120	120	120	120		2,400	2,400	-	-	-	-	-	-	2,520	2,520		-		
Director	Toshinaga Kato (Note 1)	-	-	-	-	-	-	45	45	45	45		-	-	-	-	-	-	-	-	45	45		-		
Director	Yoichi Yokozawai (Note 1)	-	-	-	-	-	-	75	75	75	75		-	-	-	-	-	-	-	-	75	75		-		
Director	Chen-Hsiang Yao	-	-	-	-	-	-	120	120	120	120		-	75	-	-	-	-	-	-	120	195		8,918		
Director	Chao-Wen Chen	-	656	-	-	-	-	120	243	120	899		29,046	29,553	101	101	-	-	-	-	29,267	30,553		2,443		
Director	Tai-Ming Chen	-	-	-	-	-	-	120	120	120	120		-	-	-	-	-	-	-	-	120	120		-		
Director	Hsin-Cheng Tseng (note 2)	-	-	-	-	-	-	60	156	60	156		1,242	1,242	89	89	-	-	-	-	1,391	1,487		634		
Independent Director	Chi-Ching Chen	-	-	-	-	-	-	1,200	1,510	1,200	1,510		-	-	-	-	-	-	-	-	1,200	1,510		-		
Independent Director	Wei-Ching Lue	-	-	-	-	-	-	1,200	1,740	1,200	1,740		-	-	-	-	-	-	-	-	1,200	1,740		-		
Independent Director	Yun-Hua Yang (note 2)	-	-	-	-	-	-	330	330	330	330		-	-	-	-	-	-	-	-	330	330		520		
Independent Director	I-Hung HSIEH (Note 2)	-	-	-	-	-	-	720	720	720	720		-	-	-	-	-	-	-	-	720	720		540		

Corporate Governance Report

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. Mitsubishi Motors Corporation sent Yoichi Yokozawai to become its director representative on April 15, 2022.

2. The Board was re-elected on June 23, 2022. Chairperson Hsin-Cheng Tseng and Independent Director Yuen-Hua Yang resigned from the office on June 30, 2022. Independent Director I-Hung HSIEH started his office on July 1, 2022.

3: 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\$896 thousand.

4: As there is an after-tax net loss of NT\$7.758 billion in the year, no ratio is calculated additionally.

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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-subsidiary 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 2)	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	3,464	3,896	101	101	25,582	25,657	-	-	-	-	29,147	29,654	Note 3		2,443
Executive Vice President	Hsin-Cheng Tseng	2,251	2,251	178	178	5,972	5,972	-	-	-	-	8,401	8,401			634
Executive Vice President	Chen Shing Ju (note 1)	2,190	2,190	108	108	4,926	4,926	-	-	-	-	7,224	7,224			48
Executive Vice President	Hung-Ching Yang,	2,423	2,423	67	67	4,296	4,296	-		-		6,786	6,786			189
Executive Vice President	Ching-Wu Chien	2,291	2,291	67	67	4,561	4,561	-	-	-	-	6,919	6,919			346

Note: 1. VP Chen-Hsing CHU transferred to the consultant post on January 1, 2023.

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\$2,808 thousand.

3: As there is an after-tax net loss of NT\$7.758 billion in the year, no ratio is calculated additionally.

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	Total		Increase (decrease)
	2022	2021	
Director	21,592	44,016	(-22,424)
President and Executive Vice President	58,477	52,091	6,386

Note: As there is an after-tax net loss of NT\$7.758 billion in the year, no ratio is calculated additionally, and the analysis is conducted based on the total amount of remuneration.

(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	Total		Increase (decrease)
	2022	2021	
Director	23,503	45,791	(22,288)
President and Executive Vice President	58,984	52,091	6,893

Note: As there is an after-tax net loss of NT\$7.758 billion in the year, no ratio is calculated additionally, and the analysis is conducted based on the total amount of remuneration.

(3) Description

A. The total amount of remuneration for directors reduced in 2022 mainly because of the loss in 2022. Hence, no reward for directors was distributed. Additionally, the fixed-amount pay for directors was determined based on their involvement with corporate operations and corporate contributions and the normal standard in the industry, and there was no special connection with the Company's after-tax net income. The total amount of remuneration for the president and vice presidents increased in 2022 mainly because of the employment of one more vice president.

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

The remuneration for directors and officers is determined by the Remuneration Committee. Apart from the annual and long-term performance targets directors and officers, the Committee also periodically reviews the policy, system, standard, and structure of their salaries; assess their achievement in performance targets; and comprehensively considers the amount and

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payment method of their salaries and the future risks. After the approval of the Board, directors and officers will be remunerated as approved.

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

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.

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4. The top five executives with highest remunerations and their remunerations

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-subsidiary invested businesses or the Parent Company
		From the Company	From All Consoli dated Entities	From the Company	From All Consolidat ed Entities	From the Company (note 1)	From All Consolidate d Entities	From the Company		From All Consolidated Entities		From the Company	From All Consolidated Entities	From the Company	From All Consolidat ed Entities	
								Cash Value	Stock Value	Cash Value	Stock Value					
President	Chao-Wen Chen	3,464	3,896	101	101	25,582	25,657	-	-	-	-	29,147	29,654	Note 3	2,443	
Executive Vice President	Hsin-Cheng Tseng	2,251	2,251	178	178	5,972	5,972	-	-	-	-	8,401	8,401		634	
Executive Vice President	Chen Shing Ju (note 1)	2,190	2,190	108	108	4,926	4,926	-	-	-	-	7,224	7,224		48	
Executive Vice President	Hung-Ching Yang,	2,423	2,423	67	67	4,296	4,296	-		-		6,786	6,786		189	
Executive Vice President	Ching-Wu Chien	2,291	2,291	67	67	4,561	4,561	-	-	-	-	6,919	6,919		346	

Note: 1. VP Chen-Hsing CHU transferred to the consultant post on January 1, 2023.

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\$2,808 thousand.

3: As there is an after-tax net loss of NT\$7.758 billion in the year, no ratio is calculated additionally.

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

March 31, 2023

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	-	-	-	-
	Executive Vice President	Hsin-Cheng Tseng				
	Executive Vice President	Hung-Ching Yang				
	Executive Vice President	Ching-Wu Chien				
	Vice President	Ching-Yun Liao				
	Vice President	Tung-Tai Hsiung				
	Vice President	Kuo-Wi Huang				
	Vice President	Ching-Chi Chen				
	Accounting and Finance Supervisor	Chun-Ching Liao				
	Corporate governance officer	Ling-Jun Lin				

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

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

(1) In 2022 and by the end of March 2023, the Board held eight meetings, and the attendance of directors was as follows:

Title	Name of the institutional shareholder	Representative Name	Actual Attendance	Attendance Attendance	Ratio of Actual Attendance	Remark
Chairperson	Yulon Motor Co., Ltd.	Li-Lien Chen Yen	8	0	100	
Director	Mitsubishi Motors Corporation	Toshinaga Kato	1	0	100	Office ended on April 14, 2022.
		Yoichi Yokozawai	4	3	57	From April 15, 2022, Mitsubishi Motors Corporation appointed Yoichi Yokozawai as its director representative.
Director	Tai-Yuen Textile Co., Ltd.	Hsin-I Lin	8	0	100	
Director	Tai-Yuen Textile Co., Ltd.	Chen-Hsiang Yao	2	0	100	Office ended on June 30, 2022.
Director	Tai-Yuen Textile Co., Ltd.	Chao-Wen Chen	8	0	100	
Director	Yulon Motor Co., Ltd.	Tai-Ming Chen	8	0	100	
Director	Le Wen Investment Co., Ltd.	Hsin-Cheng Tseng	2	0	100	Office ended on June 30, 2022.
		Chen-Hsiang Yao	6	0	100	Office started on July 1, 2022.
Independent Director	-	Chi-Ching Chen	8	0	100	
Independent Director	-	Wei-Ching Lue	8	0	100	
Independent Director	-	Yun-Hua Yang	2	0	100	Office ended on June 30, 2022.
		I-Hung Hsieh	6	0	100	Office started on July 1, 2022.

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

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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.
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.
1、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) In 2022 and by the end of March 2023, the Board held eight meetings, and the attendance of independent directors was as follows: ☉Actual Attendance; ●Proxy

Attendance of Independent Directors at each Board of Directors' Meeting								
Annual	2022						2023	
Meeting Date	03.15	05.10	06.23	08.05	11.11	12.22	01.12	03.14
Chi-Ching Chen	☉	☉	☉	☉	☉	☉	☉	☉
Wei-Ching Lue	☉	☉	☉	☉	☉	☉	☉	☉
Yun-Hua Yang	☉	☉	-	-	-	-	-	-
I-Hung Hsieh	-	-	☉	☉	☉	☉	☉	☉

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	111.01.01~111.12.31	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	111.01.01~111.12.31	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;

Corporate Governance Report

				5. Directors' professionalism and continuing training 6. Internal Control
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(II) Operation of the Audit Committee:

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

Title	Name	Professional qualification and experience
Convener	Chi-Ching Chen	Independent Director Chi-Ching Chen earns a MBA degree from the Sloan School of Management, Massachusetts Institute of Technology. He has been the director of GigaMedia Limited Co. and Financial One Corporation. At present, he is also the independent director and member of the Remuneration Committee of Yulon Finance Corporation and the director of Haofeng Assets Management 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.
Committee Member	I-Hung Hsieh	Independent Director I-Hung HSIEH earns a doctorate from the Stanford University, USA. At present, he is also the independent director and member of the Remuneration Committee of Yulon Finance Corporation and the independent director of momo.com Inc.

(2) Term of office: We established the Audit Committee in 2016, and the term of office of the 3rd committee is from July 1, 2022 to June 30, 2025. In 2022 and by the end of March 2023, seven committee meetings were held, and the attendance of each member was as follows:

Title	Name	Actual Attendance	Attendance Attendance	Ratio of Actual Attendance	Remark
Convener	Chi-Ching Chen	7	0	100	
Committee Member	Wei-Ching Lue	7	0	100	
Committee Member	Yun-Hua Yang	2	0	100	Office ended on June 30, 2022.
Committee Member	I-Hung Hsieh	5	0	100	Office started on July 01, 2022.

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.

- 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 Audit Committee is established to assist the Board in performing its duty to supervise the quality and integrity of the Company's accounting, auditing, financial reporting processes, and financial controls. In 2022, the Audit Committee held five meetings to discuss 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.

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5 Operation of the Audit Committee

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 March 15, 2022	1. The Company's 2021 Financial Reports	V	
	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 part of the 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.		
The 20th term 18th meeting 2022.05.10	Consolidated financial statement of 2022Q1.	V	
	Resolution of the Audit Committee (May 10, 2022): Passed unanimously by all committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
21st Committee 2nd meeting 2022.08.05	1. Consolidated financial statement of 2022Q2.	V	
	2. Amendments to the part of the articles of the "Corporate Governance Best Practice Principles"	V	
	3. Amendments to the part of the articles of the "Insider Trading Prevention SOP" and "Enforcement Rules of the Insider Trading Prevention SOP".	V	
	4. Increase of investment in Tokio Marine Newa Insurance Co., Ltd. within NT\$3.035 billion.	V	
	5. Lending of NT\$620 million to investee Tokio Marine Newa Insurance Co., Ltd.	V	

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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
	6. Increase of investment in Shung Ye Motor Co., Ltd. within NT\$357 million.	V	
	Resolution of the Audit Committee (August 5, 2022): Passed unanimously by all committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
21st Committee 3rd Meeting 2022.11.11	1. Consolidated financial statement of 2022Q3.	V	
	2. Establish the Company's 2023 audit program.	V	
	3. Amendments to part of the articles of the "Internal Control System".	V	
	4. Amendments to part of the articles of the "Internal Control System for Stock Affairs Unit".	V	
	5. Amendments to part of the articles of the "Rules of Procedure for Meetings of Board of Directors".	V	
	Resolution of the Audit Committee (November 11, 2022): Passed unanimously by all committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
21st Committee 4th Meeting 2022.12.22	Increase of investment in Tokio Marine Nawa Insurance Co., Ltd. within NT\$1.21 billion.	V	
	Resolution of the Audit Committee (December 22, 2022): Passed unanimously by all committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
21st Committee 5th Meeting 2023.01.12	Increase of investment in Tokio Marine Nawa Insurance Co., Ltd. within NT\$1.93 billion.	V	
	Resolution of the Audit Committee (January 12, 2023): Passed unanimously by all committee members.		
	The Company's handling of the Audit Committee's opinion: Passed unanimously by all present Directors.		
21st Committee	1. 2022 Financial Report	V	
	2. Proposal of earnings distribution for 2022.	V	

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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
6th Meeting 2023.03.14	3. Proposal of cash dividend for earnings distribution.	V	
	4. Evaluation of the independence and suitability of the CPAs for 2023.	V	
	5. Issue of the 2022 “Declaration on the Internal Control System”	V	
	6. Amendments to part of the articles of the “Rules of Procedure for Meetings of Shareholders”.	V	
	7. Amendments to part of the articles of the “Enforcement Rules of Internal Audit”.	V	
	8. Amendments to the name and part of the articles of the “Regulations Governing the Professional Judgment Process and Policy of Accounting and Change Assessment Process”.	V	
	Results of the Audit Committee Resolution (March 14, 2023): 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.

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B. Summary of communication state in 2022 and up to March 31, 2023

Date	Key points of communication between Independent Directors and accountants	Key points of communication between Independent Directors and Head of internal audit
March 15, 2022	<ul style="list-style-type: none"> ✓ Explanation of the scope and method of audit of 2021. ✓ Explanation of the material accounting estimates and material incidents or transactions of 2021. ✓ Explanation of key audit matters of 2021. ✓ Explanation of the information organization after auditing the individual financial statements of 2021. <p>Explanation of the organization of audit conclusions.</p>	<ul style="list-style-type: none"> ✓ Audit Highlights Report for December 2021 - February 2022 <p>The audit supervisor communicated with the meeting participants on the issues raised.</p>
May 10, 2022	<ul style="list-style-type: none"> ✓ Explanation of the scope and method of audit of 2022. ✓ Explanation of some unimportant subsidiaries not reviewed and equity method of 2022Q1. ✓ Explanation of the information organization after auditing the individual financial statements of 2022Q1. ✓ Explanation of the organization of audit conclusions of 2022Q1. 	<ul style="list-style-type: none"> ✓ Audit Highlights Report for March 2022 <p>The audit supervisor communicated with the meeting participants on the issues raised.</p>
August 2, 2022 and August 5, 2022	<ul style="list-style-type: none"> ✓ Explanation of the scope and method of audit of 2022Q2. ✓ Explanation of some unimportant subsidiaries not reviewed and equity method of 2022Q2. ✓ Explanation of the information organization after auditing the individual financial statements of 	<ul style="list-style-type: none"> ✓ Audit Highlights Report for April-June 2021 <p>The audit supervisor communicated with the meeting participants on the issues raised.</p>

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	<p>2022Q2.</p> <p>✓ Explanation of the income summary of investment in Tokio Marine Nawa and the relevant material incidents and transactions.</p> <p>Explanation of the organization of audit conclusions of 2022Q2.</p>	
November 8, 2022	<p>✓ Explanation of the scope and method of audit of 2022Q3.</p> <p>✓ Explanation of some unimportant subsidiaries not reviewed and equity method of 2022Q3.</p> <p>✓ Explanation of the information organization after auditing the individual financial statements of 2022Q3.</p> <p>✓ Explanation of the income summary of investment in Tokio Marine Nawa and the relevant material incidents and transactions.</p> <p>✓ Explanation of the organization of audit conclusions of 2022Q3.</p> <p>✓ Explanation of the planning, scope and method of audit of 2022.</p> <p>✓ Explanation of key audit matters of 2022.</p> <p>✓ Explanation of the audit quality indicator (AQI).</p>	<p>✓ Audit Highlights Report for July-September 2021</p> <p>✓ The audit supervisor communicated with the meeting participants on the issues raised.</p>
December 22, 2022	<p>✓ None.</p>	<p>✓ Audit Highlights Report for October-November 2021</p> <p>✓ The audit supervisor communicated with the meeting participants on the issues raised.</p>
January 12, 2023	<p>✓ None.</p>	<p>✓ None.</p>
March 14, 2023	<p>✓ Explanation of the scope and method of audit of 2022.</p> <p>✓ Explanation of the material</p>	<p>✓ No objection to the audit highlights reports.</p> <p>✓ The three independent directors recommended the Company contact the</p>

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	<p>accounting policy, material accounting estimates, and material incidents or transactions of 2022.</p> <p>✓ Explanation of key audit matters of 2022.</p> <p>✓ Explanation of the information organization after auditing the individual financial statements of 2022.</p> <p>✓ Explanation of the organization of audit conclusions</p> <p>✓ Explanation of the audit quality indicator (AQI).</p> <p>✓ Explanation of the IESBA International Code of Ethics for Professional Accountants</p>	<p>chief auditors of Yulon Motor and Yulon Finance to discuss the internal audit on investee Tokio Marine Nawa Insurance Co., Ltd. by premising on legal compliance.</p>
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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	2022.01.01 ~ 2022.12.31	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

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(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 https://www.china-motor.com.tw 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"

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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"

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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. In January 2023, we completed the performance evaluation of the Board and its members. The results show that the Board was well operated in 2022. The performance in the "quality improvement of decision-making" and "quality improvement of board composition and structure" was the best.</p>	
(4) Does the Company regularly evaluate its attesting accountants' independence and eligibility?	✓		<p>(4) Explanation on the assessment to the attesting accountants' independence:</p> <ol style="list-style-type: none"> 1. The Company assesses the independence and eligibility of the attesting accountants on the regular basis (once a year), pursuant to the "Corporate Governance Best Practice Principles." 2. Create the evaluation sheet in accordance with the Bulletin of Norm of Professional 	(4) Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

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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>Ethics for Certified Public Accountant of the Republic of China No. 10: Integrity, Objectivity and Independence and obtain the Declaration of Independence of the CPA firm and the AQI report for evaluation(Such as auditing experience.</p> <p>3. The evaluation criteria include the interest relationship between the accountants and the Company, whether or not the accountants have a dual role, whether or not the accountants defend the Company, their familiarity with the Company's personnel, whether or not they are threatened by the Company, the duration practices, and the AQI.</p> <p>4. With the assessment by the Audit Committee and the Board of Directors in March 2023, the attesting accountants engaged by the Company conform to the independence and eligibility .</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</p>	Comply with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

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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>duties, including quarterly financial reports, overview of the Company's 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 2022 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"> 1. Planning and arrangement of Directors' ongoing education in 2022. 2. Purchase of Director liability insurance in 2022. 3. To implement the corporate governance, the performance evaluation to the Board of Directors and Directors was conducted in January 2022and reported to the Board of Directors in March. 4. The periodical investor conferences were conducted to present the operating performance in 2022. 5. The AGM was convened in June 2022 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. 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. 7. Periodically review the governance objectives and performance through the ESG Committee and report to the Board every six months. 8. The corporate governance has been ranked among the top 5% of all listed companies for eight consecutive years. 	

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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	
			9. The total number of hours of training for the Head of Corporate Governance for the year 2022 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	✓ ✓ ✓	 ✓	(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	(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

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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	
statements within two 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?			Required to Be Handled by Issuers of Listed Securities.”	“List of Matters 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: Referring to the results of the 8th (2021) Corporate Governance Evaluation announced by the Taiwan Stock Exchange Corporation in April 2022, we were ranked among the top 5% of listed companies for eight consecutive years. For the no-score indicators in 2021, we strove for scoring them back in 2022: (1) Indicator 2.7: The number of independent directors is over one third of all directors; (2) Indicator 2.24 (extra score item): We implemented the ISO 27001 information security management system and passed the external certification (validity: 2022/12/16-2025/10/31)..				
Note: Key information helpful to understand the operation of corporate governance				
(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.				
(2) Care to employees: the measures to care for employees include canteen, dorms, fitness center, swimming				

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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	
			pool, library, health care center. Also, carnivals and subsidies to employee trips are provided from time to time, with regular physical checks.	
(3)			Investor relations: The Company regularly published the information concerned by investors, such as 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.	
(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.	
(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.	
(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.	
(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.	
(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.	
(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.	

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(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 Page 14-19, the director's information (independent director)	Consistent to the independence requirement	1
Independent Director	Wei-Ching Lue		1. Five or more years experience in finance and commerce 2. For the experience, please refer to Page 14-19, the director's information (independent director)	Consistent to the independence requirement	–
Independent Director	Yun-Hua Yang		1. Legal Affairs 2. Independent Director Yun-Hua Yang, also a member of the Remuneration Committee, earns a LL.D. From the Eberhard Karls Universität in Tübingen, Germany. Currently he is professor at the Department of Law, National Chengchi University. He has been a member of the Law Amendment Committee, Judicial Yuan, a member of the Prosecutor Appraisal Committee, and a member of the Lawyer Discipline Committee. At present, he is also an independent director and member of the Remuneration Committee of Yulon Nissan Motor and Nissan Taiwan, and an independent director of Universal Vision Biotechnology, Co., Ltd.	Consistent to the independence requirement	2
Independent Director	Yi-Hong Hsieh		1. Over five years of experience in legal affairs. 2. Please refer to Information of Directors (Independent Directors) in pp.16-17 for the details of experience.	Consistent to the independence requirement	2

2. The information of operation of the Remuneration Committee.

(1) 3 Remuneration Committee Members are appointed

(2) tenor: From 1 July 2022 to 30 June 2025. The most recent annual Remuneration Committee

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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	4	0	100%		The duties of the Remuneration Committee are stated in description (3)
Committee Member	Wei-Ching Lue	4	0	100%		
Committee Member	Yun-Hua Yang	1	0	100%	Office ended on June 30, 2022.	
Committee Member	Yi-Hong Hsieh	3	0	100%	Office started on July 1, 2022.	
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.						

(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
7th meeting of the 4th Committee 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.
1st meeting of the 5th Committee 2022.8.5	Revision of the remuneration for independent directors.	This proposal was not discussed and was directly referred to the Board for resolution due to	Proposed by the board of directors and passed unanimously by all attending members.

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Compensation Committee	Proposal description	Outcome of resolution	Company's response to Compensation Committee's opinions
		the need for avoidance of the conflict of interest of Committee members who are also independent directors.	
2nd meeting of the 5th Committee 2022.12.22	1. Raise for officers for 2022. 2. Committee meeting scheduling for 2022.	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.

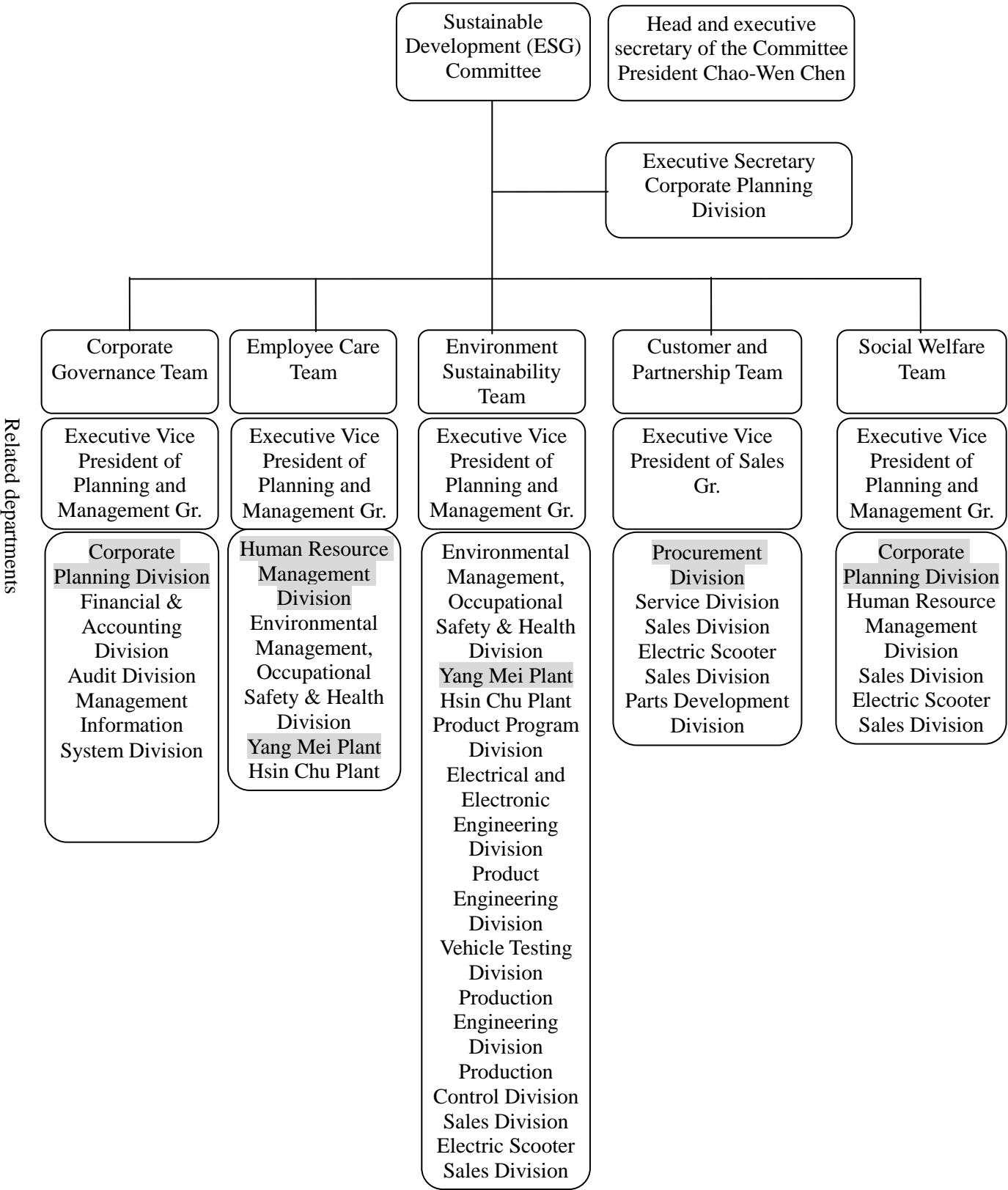
Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
To be executed once every year	2022.01.01 ~ 2022.12.31	Performance assessment of the Remuneration Committee.	Self-assessment of the Remuneration Committee.	<ol style="list-style-type: none"> 1. Level of participation 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

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- (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 been practicing corporate governance, developing a sustainable environment, and maintaining social welfare over time. To implement corporate social responsibility more efficiently, we established the “Corporate Social Responsibility Management Committee” (“CSR Management Committee”) in 2014 and renamed it the Sustainable Development Committee (“ESG Committee”) in 2022. With the Company’s president being the chairperson and the President’s Office the executive secretary, the Committee is composed of the “Corporate Governance”, “Employee Care”, “Environmental Sustainability”, and “Customer and Partnership”, and “Social Welfare” working groups. Each working group is led by a VP or higher-level officer, and the President’s Office, Human Resources Department, Yang Mei Plant, and Procurement Department are their secretaries respectively. Each working group and the relevant departments, including the Financial and Accounting Department, Management Information System Department, Audit Department, Yang Mei Plant, Hsin Chu Plant, 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 Operations and Sales Department, and Product Development Department, are responsible for implementing sustainable development and editing the ESG report, and report the performance and future key tasks to the Board every six months.

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Note: Representing the responsible department

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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. Sustainable Development (ESG) Committee</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 incorporate the ESG philosophy with the corporate</p>	Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”

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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>operation and company culture, the Company approved the assembly of the “Corporate Social Responsibility Management Committee” (CSR Management Committee: Renamed the ESG Committee in 2022) 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 To optimize the internalization and communication of sustainable development, the proposition and implementation of ESG policies, systems or related management approaches, and specific implementation plans must be reported to the Board periodically.</p> <p>(2) Management Level 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>	

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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. Value reengineering was the focus of implementation in 2022. New models and new technologies were applied to existing projects to expand the spillover effect.</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 management policies or strategies?	✓		<p>1. This disclosure covers the Company's sustainable development performance at its major presences from January 2022 to December 2022. 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 development dimension The Company is mainly engaged in the manufacture</p>	Complied with the requirements of "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

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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>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>①Implement 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>①Employ 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 ④strategically evaluate the benefits of the reinvestment companies.</p> <p>(4) Supply chain risk</p> <p>①Implement the supplier operations visit plan; ②actively monitor the price fluctuation of raw materials to ensure the undisrupted and steady supply and preparation of materials of suppliers;</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>③alert suppliers to make advance preparation based on the disaster (typhoon) forecast of the Central Weather Bureau and the announcements of the central and local disaster response centers and investigate the real-time supply after the disaster; ④implement outstanding supplier selection and evaluation and encourage the establishment of management systems for occupational safety and environmental sustainability.</p> <p>(5) HSE risk management ①Pass the certification of the ISO 45001 and CNS 45001 OH&S systems certification and ISO 14001 and ISO 140641 environment-related management systems ②Established the emergency response organization in February 2020 to deal with various environmental risks and the COVID-19 prevention and emergency response plans.</p> <p>(6) Information risk management ①Implement and pass the certification of the ISO 27001 information security management system; ②conduct environmental and information security inspections, ③improve network infrastructure.</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. (https://www.china-motor.com.tw/layout2.php?name=CSR%20Report)	(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

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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 assess the potential risks and opportunities of climate change to the Company now and in the future, and take measures to respond to climate-related issues?	✓		<p>(3) The era of "Climate Emergency" is coming. Facing the operational crisis that may be brought 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> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(4) Risk management: For the identified risks, the relevant departments are invited to discuss the impact of climate change risks on the</p>	<p>Companies.”</p> <p>(3) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

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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>Company's finances, and discuss as much as possible the countermeasures for each risk and link to the annual management guidelines.</p> <p>A detailed description of the Company's climate change risk and opportunity analysis has been disclosed in the Company's Sustainability Report. (https://www.china-motor.com.tw/layout2.php?name=CSR%20Report)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.</p> <p>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>2020</td><td>7,099</td><td>12,961</td><td>97.42</td></tr><tr><td>2021</td><td>7,882</td><td>12,933</td><td>3,089,143</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) Implemented the ISO14064-1 greenhouse gas inventory and management system, started the annual voluntary disclosure of GHG emissions on the</p>	Annual	Scope 1	Scope 2	Scope 3	2020	7,099	12,961	97.42	2021	7,882	12,933	3,089,143	(4) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."
Annual	Scope 1	Scope 2	Scope 3													
2020	7,099	12,961	97.42													
2021	7,882	12,933	3,089,143													

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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>National GHG Registration Platform of the Environmental Protection Administration, and passed the GHG verification with the latest ISO14064-1:2018 in 2021.</p> <p>2. Water Pollution Prevention</p> <p>(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</p> <p>(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 disposal volume of waste solvent removed in 2020 and 2021 was 103.95MT and 76.39MT respectively, 57.5% and 68.8% less than that of 244.61MT 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 non-recyclable waste and increased the recycling rate from 78.29% of the base year of 2017 to 88.28%. (5) Implemented refuse sorting and implemented the waste reduction project, reducing waste by 49.23% over the base year of 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</p>	<p>(1) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed</p>

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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>differential treatment in its employment policies.</p> <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"> 1. Quality Work Environment <ol style="list-style-type: none"> (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. 2. Happy and Diversified Vacation <p>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.</p> 3. Thoughtful and Comprehensive Maternity Care Measures <ol style="list-style-type: none"> (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.(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. (3) Dependents (spouse and children) 	<p>Companies.”</p> <p>(2) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

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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>are also eligible for daily subsidy of hospitalization under group insurance.</p> <p>(4) The Company provides free 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.</p> <p>(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 employees enjoy birthday gift coupons, senior staff recognition and awards, and employee travel grants.</p>	
(3) Does the Company provide a safe and healthy working environment for employees and implement regular safety and health education for employees?	✓		(3) The Company established the "Environmental Management, Occupational Safety & 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	(3) Complied with the requirements of "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies."

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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	
			education and follow-up with outpatient physicians in response to the examination results. Related health promotion mechanisms include: (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.	
(4) Does the Company develop effective career development programs for employees?	✓		(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.	(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?	✓		(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	(5) Complied with the requirements of “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.”

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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?	✓		<p>also connects with the 0800 free service hotline of dealerships across the country to provide consumers with more diversified and comprehensive services and channels for consultation on their rights.</p> <p>(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.</p>	(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 certifying 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.				

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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.	Self-construction of solar PV 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.	Engaged with electric vehicle research and development to cater to the thriving 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.

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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	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(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?</p> <p>(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</p>	~		<p>(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.</p> <p>(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.</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>

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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>✓</p> <p>✓</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 2022 has been reported in the Board Meeting on 22 December 2022.</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 2022 are listed as follows:</p> <p>(1) Established unethical behavior risk assessment sheet.</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.

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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 2022 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 463 of participating head counts and 958 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 2022 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 14, 2023

The following statement is made based on the results of self-evaluation of the internal control system in 2022.

1. 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.
2. 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.
3. 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.
4. The Company has evaluated the design and operating effectiveness of its internal controlsystem according to the aforesaid judgmental criteria.
5. Based on the results of the above evaluation, we concluded that the design and implementation of our internal control system (including the supervision and management of subsidiaries) on December 31, 2022, 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.
6. 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.
7. This Statement was approved in the Board meeting on March 14, 2023, where none of the nine directors present at the meeting expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

China Motor Corporation

Chairperson: Li-lien Chen Yen

Signature/Seal

President: Chao-Wen Chen

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, in the previous fiscal year and by the date of report publication, there were punishments on the company or its employees by law or punishments on employees by the company for violating the internal control regulations with results that may cause significant impacts to the rights and interests of shareholders or the stock price, state the content of punishments, major defects, and improvements: None.

(XI) Material resolutions made by the meeting of shareholders or the Board meeting in 2022 and by March 31, 2023.

1. Important resolutions of the board of directors' meetings

Date of meeting	Important Resolutions	Implementation Status
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 restrictions for the Directors in the 2022 Shareholder 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 part of the 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 implemented the resolutions and disclosed in the Market Observation Post System. Of which, motions 1 and 2 were submitted to the 2022 AGM for ratification; motions 5 and 6 were submitted to the 2022 AGM for election; and motions 7, 10, and 11 were submitted to the 2022 AGM for resolution.
May 11, 2022	1. Consolidated financial statement of 2022Q1. 2. Updating of the list of directorial candidates of the 21st board recommended by the Board. 3. Proposal for removing the non-compete restrictions for the Directors in the 2022 Shareholder Meeting.	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Of which, motion 2 was submitted to the 2022 AGM for election, and motion 3 was submitted to the AGM for resolution.
June 23,	1. Chairperson election.	-

Corporate Governance Report

Date of meeting	Important Resolutions	Implementation Status
2022		
August 5, 2022	<ol style="list-style-type: none"> 1. Consolidated financial statement of 2022Q2. 2. Appointment of members of the 5th Remuneration Committee. 3. Amendments to the part of the articles of the “Corporate Governance Best Practice Principles”. 4. Amendments to the part of the articles of the “Insider Trading Prevention SOP” and “Enforcement Rules of the Insider Trading Prevention SOP”. 5. Proposal for the duty change of officers. 6. Increase of investment in Tokio Marine Nawa Insurance Co., Ltd. within NT\$3.035 billion. 7. Lending of NT\$620 million to investee Tokio Marine Nawa Insurance Co., Ltd. 8. Increase of investment in Shung Ye Motor Co., Ltd. within NT\$357 million. 	The Company has implemented the resolutions and disclosed in the Market Observation Post System.
November 11, 2022	<ol style="list-style-type: none"> 1. Consolidated financial statement of 2022Q3. 2. Establishment of the 2023 audit program. 3. Amendments to part of the articles of the “Internal Control System”. 4. Amendments to part of the articles of the “Internal Control System for Stock Affairs Unit”. 5. Amendments to part of the articles of the “ Rules of Procedure for Meetings of Board of Directors”. 6. Revision of the remuneration for independent directors. 	The Company has implemented the resolutions and disclosed in the Market Observation Post System.
December 22, 2022	<ol style="list-style-type: none"> 1. The Company’s 2023 annual corporate budget. 2. Changes of department managers (or above) of the Company. 3. Removal of the non-compete restrictions for managerial officers. 4. Adjustment of the salary for managerial officers for 2022. 5. Proposal to increase investment within NT\$1.21 billion in Tokio Marine Nawa Insurance Co., Ltd. 	The Company has implemented the resolutions and disclosed in the Market Observation Post System.
January, 12, 2023	<ol style="list-style-type: none"> 1. Proposal to increase investment within NT\$1.93 billion in Tokio Marine Nawa Insurance Co., Ltd. 2. 1st EGM of 2023. 	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Item 1 was submitted to the 2023 EGM for resolution.
March 14, 2023	<ol style="list-style-type: none"> 1. The Company’s 2022 Financial Reports. 2. The Company’s 2022 Earnings Distribution. 3. Proposal of cash dividend for earnings distribution. 4. The Company’s 2022 remuneration to the Directors and the employees. 5. The meeting date and location of the Company’s 2023 Annual Meeting of Shareholders. 6. Evaluation of the independence and suitability of the CPAs as of year 2023. 7. Proposal to submit the “Declaration on the Internal Control System” for 2022. 8. Partial amendments to the Company's “Shareholders’ Meeting Conference Rules”. 9. Amendment of part of the articles of the “Enforcement Rules of Internal Audit”. 10. Amendments to the name and part of the articles of the “Regulations Governing the Professional Judgment Process and Policy 	The Company has implemented the resolutions and disclosed in the Market Observation Post System. Items 1 and 2 will be submitted to the 2023 AGM for ratification, item 8 will be submitted to the 2023 AGM for resolution.

Corporate Governance Report

Date of meeting	Important Resolutions	Implementation Status
	of Accounting and Change Assessment Process”.	

2. Major Resolutions and Implementation Status of 2022 Shareholder Meeting

Date of meeting	Important Resolutions	Implementation Status
June 23, 2022	1. Ratification of the final account reports of 2021.	We have announced and reported according to the regulations.
	2. Ratification the distribution of earnings of 2021.	The cash dividend was NT\$5.5 per share. The base date of distribution was July 29, 2022. Dividends already distributed to shareholders on August 26, 2022.
	3. Amendments to part of the articles of the Company's “Articles of Incorporation”.	Already disclosed on our website and applied post-amendment procedures.
	4. Approved the amendments to part of the articles of the “Regulations Governing the Acquisition and Disposal of Assets”.	Already disclosed on our website and applied post-amendment procedures.
	5. Approved the proposal of chairperson election.	Approved for registration by the Ministry of Economic Affairs on August 10, 2022.
	6. Approved for abolition of the non-compete restrictions on the directors of the 20th and 21st boards.	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 2022 and until 31 March 2023: None.

(XIII) Summary of the resignation or dismissal of the chairperson, president, CAO, CFO, chief internal auditor, CCGO, and CRDO in 2022 and by March 31, 2023:

Title	Name	Inauguration date	Dismissal date	Reasons for resignation or dismissal
CRDO	Chen Shing Ju	2017.11.01	2023.01.01	To establish the company's succession system.

IV. Information on CPA professional fees

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Ya-Ling Wong	2022.01.01-2022.12.31	NT\$6,900 thousand	NT\$734 thousand	NT\$7,634 thousand	
	Hsiu-Ming Hsu	2022.01.01-2022.12.31				

Note: The non-audit service fees include taxation certification and transfer pricing report.

Corporate Governance Report

- (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	2022		2023, 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	Le Wen Investment	-	-	-	-
Chairperson	Li-Lien Chen Yen	-	-	-	-
Director	Yoichi Yokozawai	-	-	-	-
Director	Hsin-I Lin	-	-	-	-
Director	Chen-Hsiang Yao	-	-	-	-
Director/ President	Chao-Wen Chen	-	-	-	-
Director	Tai-Ming Chen	-	-	-	-
Independent Director	Chi-Ching Chen	-	-	-	-
Independent Director	Wei-Ching Lue	-	-	-	-
Independent Director	I-Hung Hsieh	-	-	-	-
Executive Vice President	Hsin-Cheng Tseng	-	-	-	-
Executive Vice President	Yang, Hung-Ching	-	-	-	-
Executive Vice President	Ching-Wu Chien	-	-	-	-
Vice President	Ching-Yun Liao	-	-	-	-
Vice President	Tung-Tai Hsiung	-	-	-	-

Corporate Governance Report

Vice President	Huang, Kuo-wi	-	-	-	-
Vice President	Ching-Chi Chen	-	-	-	-
Accounting and Finance Supervisor	Chun-Ching Liao	-	-	-	-
Corporate governance officer	Ling-Jun Lin	-	-	-	-

Note 1: shareholders with shareholdings of over 10%

- (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.

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	Shareholding %	Number of shares	Shareholding %	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: Chao-Wen Chen	-	-	-	-	-	-	-	-	-
Mitsubishi Motors Corporation	77,507,309	14.00	-	-	-	-	-	-	-
Representative: Yoichi Yokozawai	-	-	-	-	-	-	-	-	-
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	-
New Labor Pension Fund	10,420,640	1.88	-	-	-	-	-	-	-
Taiwan Life Insurance Co., Ltd.	6,549,600	1.18	-	-	-	-	-	-	-

Corporate Governance Report

Investment account at the Norges Bank under the custody of Citibank	5, 587, 878	1. 01	–	–	–	–	–	–	–
Fan-Terh Investment Co., Ltd.	4, 974, 758	0. 90	–	–	–	–	–	–	–
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	–
UPAMC Optima Fund under custody of the Trust Services Department, First Commercial Bank.	3, 780, 000	0. 68	–	–	–	–	–	–	–

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, 2023

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	220,450,110	22.04	387,164,551	38.84
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 Nawa Insurance Co., Ltd.	304,630,356	22.91	243,153,305	18.28	547,783,661	41.19
Alliance Investment & Management Co., Ltd	82,000,000	100.00	–	–	82,000,000	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	49,332,552	39.99	12,368	0.01	49,344,920	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
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 1, 2023

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 1, 2023

Shareholding Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Total	4	9	174	40,110	198	40,495
Shareholding (share)	11,855,285	10,402,740	265,339,429	126,828,776	139,194,112	553,620,342
Percentage	2.14	1.88	47.93	22.91	25.14	100.00

Information on Capital Raising Activities

(IV) Shareholding Distribution Status

April 1, 2023

Class of Shareholding (Unit: share)	Number of Shareholders	Shareholding (share)	Percentage
1 ~ 999	20, 003	4, 744, 920	0. 86
1,000 ~ 5,000	16, 396	33, 285, 502	6. 01
5,001 ~ 10,000	2, 095	16, 412, 881	2. 96
10,001 ~ 15,000	600	7, 504, 738	1. 36
15,001 ~ 20,000	393	7, 197, 536	1. 30
20,001 ~ 30,000	290	7, 351, 576	1. 33
30,001 ~ 40,000	174	6, 265, 416	1. 13
40,001 ~ 50,000	114	5, 304, 990	0. 96
50,001 ~ 100,000	198	14, 066, 756	2. 54
100,001 ~ 200,000	95	13, 612, 247	2. 46
200,001 ~ 400,000	62	17, 492, 873	3. 16
400,001 ~ 600,000	18	8, 968, 868	1. 62
600,001 ~ 800,000	10	7, 313, 237	1. 32
800,001 ~ 1,000,000	6	5, 372, 600	0. 97
1,000,001 or above	41	398, 726, 202	72. 02
Total	40, 495	553, 620, 342	100. 00

(V) List of Major Shareholders

April 1, 2023

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. New Labor Pension Fund		10, 420, 640	1. 88
6. Taiwan Life Insurance Co., Ltd.		6, 549, 600	1. 18
7. Investment account at the Norges Bank under the custody of Citibank		5, 587, 878	1. 01
8. Fan-Terh Investment Co., Ltd.		4, 974, 758	0. 90
9. Yung Han Investment Co., Ltd.		3, 997, 638	0. 72
10. UPAMC Optima Fund under custody of the Trust Services Department, First Commercial Bank.		3, 780, 000	0. 68

Information on Capital Raising Activities

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

Item \ Year		2021	2022	2023, as of March 31, 2023
Market Price per Share (NTD)	Highest Market Price	77.50	64.70	65.00
	Lowest Market Price	46.00	40.00	50.60
	Average Market Price	64.94	54.46	59.29
Net Worth per Share (NTD)	Before Distribution	77.08	58.40	– (註 2)
	After Distribution	71.58	54.40	– (註 2)
Earnings per Share (NTD)	Weighted Average Shares (thousand shares)	553,620	553,620	553,620
	Earnings per Share	7.67	(14.22)	– (註 2)
Dividends per Share (NTD)	Cash Dividends (note)	7.00	5.50	–
	Stock Dividends	–	–	–
		–	–	–
	Accumulated Undistributed Dividends	–	–	–
Return on Investment	Price / Earnings Ratio (Note 1)	8.47	(3.83)	–
	Price / Dividend Ratio (Note 2)	9.28	9.90	–
	Cash Dividend Yield Rate (Note 3)	10.78%	10.10%	–

Note: 1. The distribution of earnings of the previous fiscal year.

2. Financial information by March 31, 2023 was not disclosed because figures in the 2023Q1 financial statement has not been reviewed by CPA.

(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 there is profit in the year after account closing, apart from compensating for the losses in the previous years and paying taxes by law, 10% of the remainder shall be appropriated as the legal reserve. If there is surplus after these, the special reserve shall be appropriated in accordance with the regulations of the competent authorities. The remainder shall be combined with the unallocated earnings in previous years for the Board of Directors to make the proposal of distribution. Earnings shall be distributed in cash. In accordance with the *Company Act*, the

Information on Capital Raising Activities

Board of Directors is authorized to resolve earnings distribution and report to the meeting of shareholders. When distribution by issuing new shares is adopted, resolution from the meeting of shareholders shall be obtained in advance.

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 Board has drafted the distribution of earnings for 2022. The cash dividend was NT\$4 per share. The Board of Directors is authorized to resolve earnings distribution in accordance with the Articles of Incorporation.

If the number of stocks circulating on the market on the base date of dividend distribution is affected by resolution to buy back the Company's shares or transfer treasury stocks to employees, the chairperson is authorized to adjust the dividend 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:

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

Information on Capital Raising Activities

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 regularly appropriate the reward for directors based on the pre-tax income deducting the profit before the remunerations to employees and directors (no reward for 2022 due to losses).

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.

The proposal of reward for employees and reward for directors for 2022 was approved by the 6th Board meeting of the 21st board on March 14, 2023. As there was no profit (pre-tax net income was negative) in 2022, no reward for employees and directors will be distributed.

Information on Capital Raising Activities

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 2022 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 proposal of reward for employees and reward for directors for 2021 was approved by the 17th Board meeting on March 15, 2022. The cash reward for employees and directors was NT\$46,959 thousand and NT\$24,098 thousand respectively. The amounts were the same as distributed after the AGM.

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

II. Issuance of Corporate Bonds: None

III. Issuance of Preferred Stock: None

IV. Issuance of Global Depository 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

Information on Capital Raising Activities

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

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- (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 98% 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:

HS 1.5T/2.0T/PHEV series

Outlander 2.4L series

Eclipse Cross 1.5T series

Zinger 2.4L series

- Electric vehicles

Electric scooter series: iE125, EZ1, iE PICKUP, eMoving Super 、Greentrans 125

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Electric bikes: Bobe, Shine

Electric commercial vehicles: CMC EV series

4. Future plans for new products

In addition to meeting the market needs and create sales topics, in our future plans for new product development, we will continue to introduce visionary product specifications for the current models to enhance product competitiveness and strengthen product capabilities so as to create better sales performance through well-developed marketing strategies. Additionally, we will enhance the deployment of new-energy cars and progressively introduce hybrid electrical vehicle (HEV) and plug-in HEV (PHEV) (promotion of Eclipse Cross PHEV has been planned for 2023), and battery electric vehicle (BEV) into the market in response to the EV trend.

Based on the multifaceted energy strategy featuring PHEV and BEV together, we develop the most suitable products for customers based on different use scenarios in new model development. In addition to the the home-charging EV, we also develop battery-replacement model with Gogoro. In addition to the continuous retention of existing customers, we will plan new-year editions and brand-new models to boost overall sales. We will also expand the function of the FUN Moving App to enrich the use experience of owners. We also actively promote channel diversification. By integrating products and channels, we actively demonstrate the product and service features of electric scooters.

(II) Industry Overview

1. Status and development trends of the industry

Taiwan's automotive industry has a complete and mature supply chain system, and parts development and quality and management capability are all competitive. The recent development of AIoT and EV has rapidly increased the proportion and enhanced the importance of automotive electronics in a car. With advantageous resources, Taiwan's high-tech industries are engaging in various cooperation with the automotive industry. The independently developed vehicle technology accelerates

the development of key EV parts and new technologies, such as battery, motor, and control system, to raise the value of the auto part system.

Additionally, apart from stimulating new ideas in vehicle design, the development of EV and AIoT technologies also brings new business opportunities and business models, including internet marketing, charging station service, vehicle-to-everything (V2X) ecosystem, battery rental, and carpooling service. The scope of the automotive industry also extend to combine software and service.

2. Upstream, midstream and downstream industry linkages

The automotive industry is a technology-intensive and capital-intensive industry, with an extensive industry chain and coverage of a wide range of related industries, including the auto part industry at upstream, the automaking industry at the midstream, the car sales industry at downstream, and various service industries relating to cars and travel. The mutual connections and influences of each industry are extensive. 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 competition

At the rise of the global ESG trend, apart from making commitment to achieve net-zero emissions, governments of the world also actively implement various related policies to guide the automotive industry to transform into new-energy car (including PHEV and BEV) manufacture and optimize the charging environment to encourage automakers to progressively launch new-energy cars. The continuous growth of new-energy cars also drive the technology development and scale expansion of key EV parts, such as the battery, to help reduce the cost and enhance market acceptance of new-energy cars to accelerate the market growth and mature

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development of the new-energy car market. Additionally, the gradual maturity of AIoT-related technologies also pushes the integration of the advanced driver assistance systems (ADAS) and V2X and their popularization. Hence, automakers actively improve the functions and enrich the features of products and make in-depth demand analysis to meet the needs of the consumer markets and CV market and enhance product competitiveness.

(III) Technology and R&D overview

1. R&D expenses

In 2022, the Company's individual and consolidated R&D expenses were NT\$1,558,703 thousand, and NT\$1,596,701 thousand respectively.

2. Successfully developed technology and products in 2022 and by March 31, 2023

- (1) June 2022 Completed the development of the new electric reverse function for the iE PICKUP commercial electric scooter and started mass production and sales.
- (2) June 2022 Completed the development of new colors and improvement of user experience for the Greentrans 125 commercial electric scooter and started mass production and sales.
- (3) June 2022 Completed the hardware adjustment of the electronic control unit (ECU) and the development of new colors for the green-plate e-scooter EZI, and started mass production and sales.
- (4) June 2022 Completed the development of the new headrest for the CMC Veryca in response to the tightening regulations and started mass production and sales.
- (5) September 2022 Completed the body adjustment of the Outlander and started mass production and sales.
- (6) October 2022 Completed the development of the CMC P350 Hybrid and started mass production and sales.
- (7) November 2022 Completed the development of the new headrest for the Grand Lancer in response to the tightening regulations and started mass production and sales.

- (8) November 2022 Completed the development of the new headrest for the Colt Plus in response to the tightening regulations and started mass production and sales.
- (9) November 2022 Completed the development of the new headrest for the Zinger/Zinger Pickup in response to the tightening regulations and started mass production and sales.
- (10) November 2022 Completed the development of the new headrest for the Delica van/Delica lorry in response to the tightening regulations and started mass production and sales.
- (11) December 2022 Completed the development of domestic manufacture of the 4WD transmission of the CMC Vercar and started mass production and sales.

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

In short-term development, we will invest more resources in CV, continuously strengthen the sales system and service network, and engage in product upgrading and new model launch to actively deal with the challenges of competitive products and so to maintain market leadership. In passenger cars, we will continue to introduce the new models of Mitsubishi and MG into the market and offer various high value-added products to meet the consumer needs and so to increase market share. In e-scooters, we will actively expand the youth consumer market and introduce both the charging and battery-replacement models to meet the needs in different scenarios.

In long-term development, we will actively and continuously promote the development of various products and services and deepen our technology capacity with our core resources and advantages to achieve our sustainable development goals, including developing a brand-new ECV platform with own technology, deepening the key EV and AIoT technologies by integrating the resources of Taiwan's automobile industry and high-tech industries, capturing the sources of key parts and components, fully supporting the launching medium- and long-term launching plans of ECV, and seeking collaboration opportunities in overseas markets with independently developed new models. In

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passenger cars, we continue to introduce new models in all major market segments based on the multiple-brand strategy to expand production capacity and enhance the cost competitiveness of all product ranges. In e-scooters, we will continue to strengthen the competitiveness of the shared platform with independently developed technologies and accelerate new model launch in the future and enhance cost competitiveness. Additionally, we will develop the autonomous mobile robot (AMR) business with our core capability. In recent years, we have already successfully reached leading semiconductor manufacturers. In the future, we will expand production capacity in line with customer growth and continue to cultivate new customers.

II. Market, production, and sales overview

(I) Market analysis

1. Sales and sales regions of major products

Our product ranges include saloons (sedans), recreational and commercial vehicles, and e-scooters. Currently, our products are mainly sold in Taiwan. In 2022, the total domestic sales was 6,485 units, including 43,939 cars (including OEM and imported models), 3,275 eMOVING e-scooters, and 3,210 electric bikes.

2. Future supply, demand and growth of the market

Influenced by COVID-19 and material shortages, the total 2022 vehicle sales in Taiwan reduced by 4.5% of the 450,000 units in 2021 to nearly 430,000 units, including 261,000 domestically made cars, with a market share increasing to 60.8%, and 168,000 imported cars, with a market share reducing from 44.7% in 2021 to 39.2% in 2022.

Looking out in 2023, the automotive chip shortage is expected to progressively relieve to raise the capacity in new model supply. In consumer demand, however, although global COVID-19 prevalence has slowed, the pressure from inflation and interest rate rise still bring uncertainties to the global economy. Research institutions thus conservatively predict Taiwan's 2023 economic growth. The forecasts include:

2.12% by the Directorate General of Budget, Accounting and Statistics, 2.58% by the Taiwan Institute of Economic Research, and 2.72% by the Chung-Hua Institution for Economic Research. Hence, the 2023 automotive sales are expected to increase slightly from 2022 to 435,000 units.

3. Competition strategy in the car market

Facing industry transformation and market challenges, we will actively cultivate the Taiwan market, capture key AIoT technology, independently develop new-energy CV, and diversify passenger car brands. Explanation is as follows:

Favorable factors

- (1) After years of ceaseless efforts, we have developed excellent market presence, with word-of-mouth earning consumer credit and recognition. We have also become the leading brand of CV in consumers.
- (2) The Company has engaged in in-house R&D for decades, and in 89, 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) In passenger cars, apart from continuously marketing the Mitsubishi brand, we added the MG brand last year to increase the sources of petroleum and new-energy cars.
- (4) In response to the green energy trend, we have already deployed in the development of new energy technology. Our new-energy car range includes EV and e-scooters, and the mass production of some models has started, making CMC one of the pioneers of Taiwan's EV industry.
- (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:

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- (1) In response to the increasingly stringent vehicle emission standards across the world and the trend of new-energy car transformation, apart from continuously engaging with hybrid car optimization, we also invest in the development of new-energy cars at the same time.
- (2) The price and cruising capacity of EV that lower its consumer acceptance have limited its market scale.
- (3) Through brand merger and cooperation and global production arrangements, multinational car manufacturers provide the market with more cost-competitive models and introduce them to the Taiwan market through importing.

Countermeasures:

- (1) Cultivate the Taiwan market

In the CV market, apart from enhancing product competitiveness with our advantages in capturing local customer needs with self-developed technologies and market leadership, we continue to further customer relationship with our service network advantage and digital technology platforms. In the passenger car market, through the flexible use of multiple brands, we accelerate the introduction of Mitsubishi and MG models (including new-energy cars) to complete the product ranges with the most efficient and effective way. We also expand the production scale and enhance cost competitiveness.

- (2) Active operations of overseas markets

We actively accelerate the expansion of export sales, giving priority to the Middle East, Central and South America, and Southeast Asian markets. In the future, we will strive for opportunities in cooperation with overseas markets with self-developed models.

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

The China-motor Asia Research & Technology Center (CARTEC) has independently developed many brand-new and improved models (e.g., next-generation Zinger, Veryca/E-Veryca, Zinger Pick up, and Colt Plus) to fulfill the needs of the automotive market. In the future, we will expand the scope of

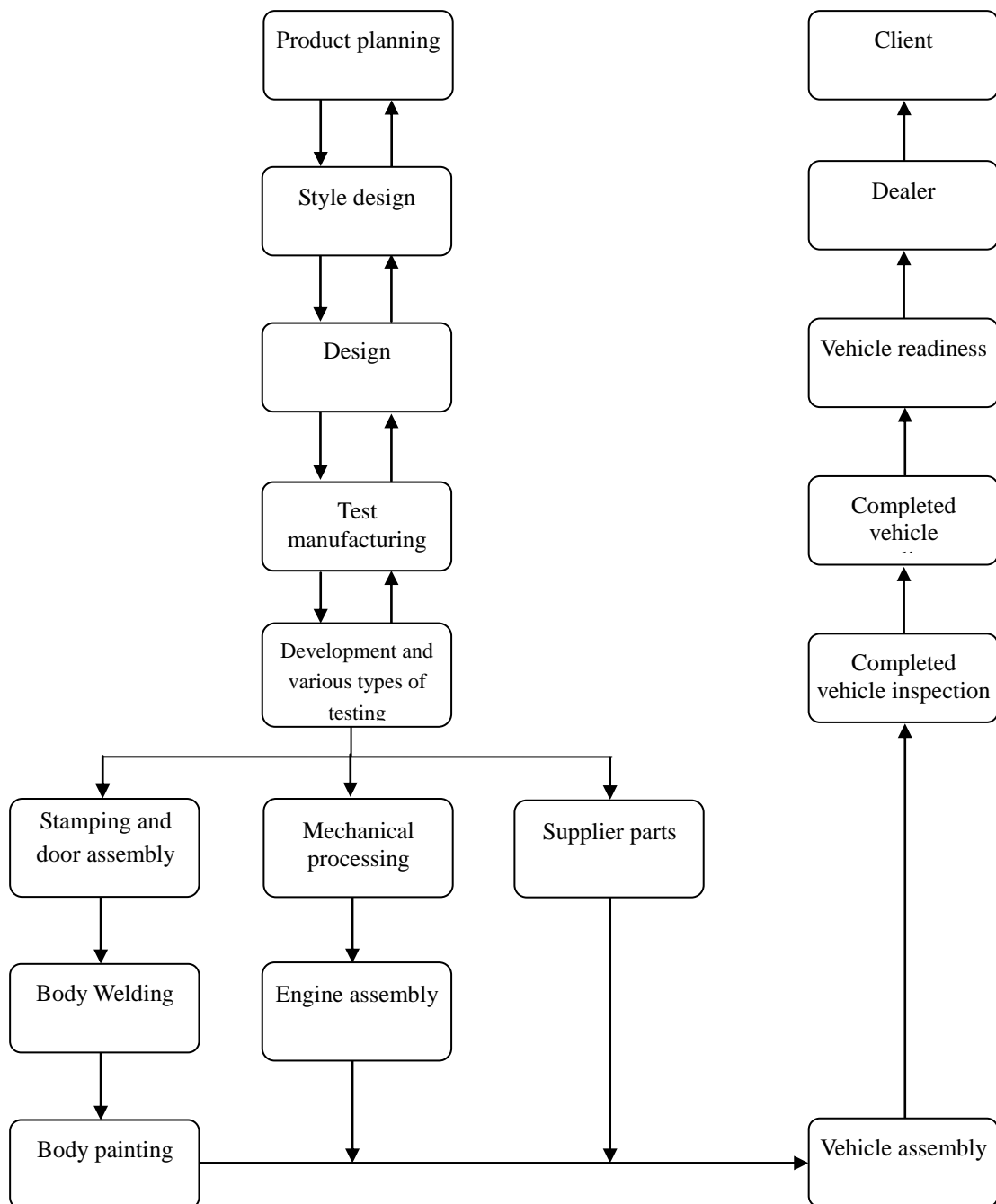
self-developed technology and establish the support capability for key EV components to ensure our competitiveness in self-developed models and the new-energy car market to improve independent design and development capabilities.

In electric two-wheelers, we will independently develop the shared model platform, capture key component technology, enhance cost competitiveness, and accelerate new product launches in the future.

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(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:



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(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

2021				2022			
Company Name	Value	% of Total Net sales	Relationship with Issuer	Company Name	Value	% of Total Net sales	Relationship with Issuer
Fortune Motors Co	18,839,506	61	Affiliate accounted for using equity method	Fortune Motors Co	17,883,201	61	Affiliate accounted for using equity method
Shung Ye Motor Corporation	4,348,180	14	Affiliate accounted for using equity method	Shung Ye Motor Corporation	3,885,136	13	Affiliate accounted for using equity method
Daimler Trucks Asia Taiwan Ltd.	3,490,997	11	-	Daimler Trucks Asia Taiwan Ltd.	1,973,020	7	-
Net Sales	31,125,399	100	-	Net Sales	29,553,870	100	-

Note: the table above is the consolidated information

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(V) Production in the Last Two Years

Unit: Volume: unit
Value: NT\$ thousand

Capacity and Value Main Products	Year Volume	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
4-wheeld vehicles		65, 448	50, 014	20, 540, 808	65, 448	44, 489	19, 266, 126
2-wheeled vehicles		19, 089	4, 692	99, 657	19, 089	6, 847	116, 144

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	2021				2022			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
4-wheeld vehicles		49, 441	22, 562, 825	1, 028	289, 634	43, 436	21, 040, 051	1, 001	330, 727
2-wheeled vehicles		5, 365	198, 493	–	–	6, 483	301, 428	–	–

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

III. Human Resources

Annual		2021	2022	March 31, 2023
Number of employees		2, 780	2, 814	2, 922
Average Age		43. 06	43. 31	42. 74
Average years of Service		14. 80	14. 65	13. 85
Education	Ph. D.	3	3	3
	Master	509	530	546
	Bachelor	1, 114	1, 107	1, 149
	Senior High School	994	1, 012	1, 061
	Below Senior High School	160	162	163

Note: The table above is based on consolidated information.

IV. Environmental Protection Expenditure

(I) Losses and amount of fines as a result of pollution in 2022 and by March 31, 2023:

None.

(II) Forecast of Environmental Protection Expenditure for the Next Three Years

Unit: NTD\$ Thousand

Item \ Year	2023		2024		2025	
	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	33,807	(1) Waste water, waste gas and waste treatment transportation fee	33,507	(1) Waste water, waste gas and waste treatment transportation fee	33,507
	(2) Pollution Inspection Fee	12,575	(2) Pollution Inspection Fee	12,575	(2) Pollution Inspection Fee	15,775
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

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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 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.

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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 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

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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, Hence, apart from following all relevant laws and regulations, we passed the "Occupational Safety and Health Management System Performance Accreditation" of the Ministry of Labor in 2019 and the certification of ISO/CNS 45001 on December 13, 2023, suggesting our continuous efforts in; 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 1,259 safety and health improvements in 2022.

(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
- 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 2022, a total of 2,149 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.

Operations Overview

- (II) List any losses suffered by the company in 2022 up to March 31, 2023 due to labor disputes

The Company did not have labor-management disputes in 2022 and as of 31 March 2023 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

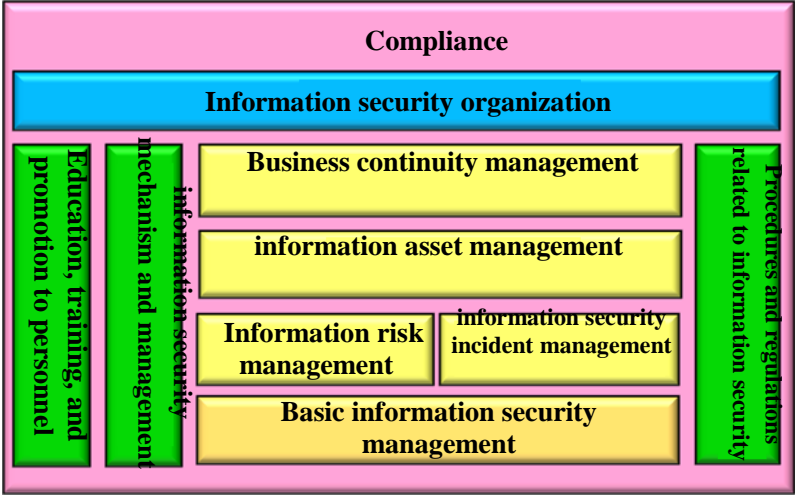
The Company complies with Chapter II “Design and Operation of Internal Control Systems,” and Article 9 “Process the Digitized Information System” of the “Regulations Governing Establishment of Internal Control Systems by Public Companies” to establish the related internal operating regulations, and improve 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

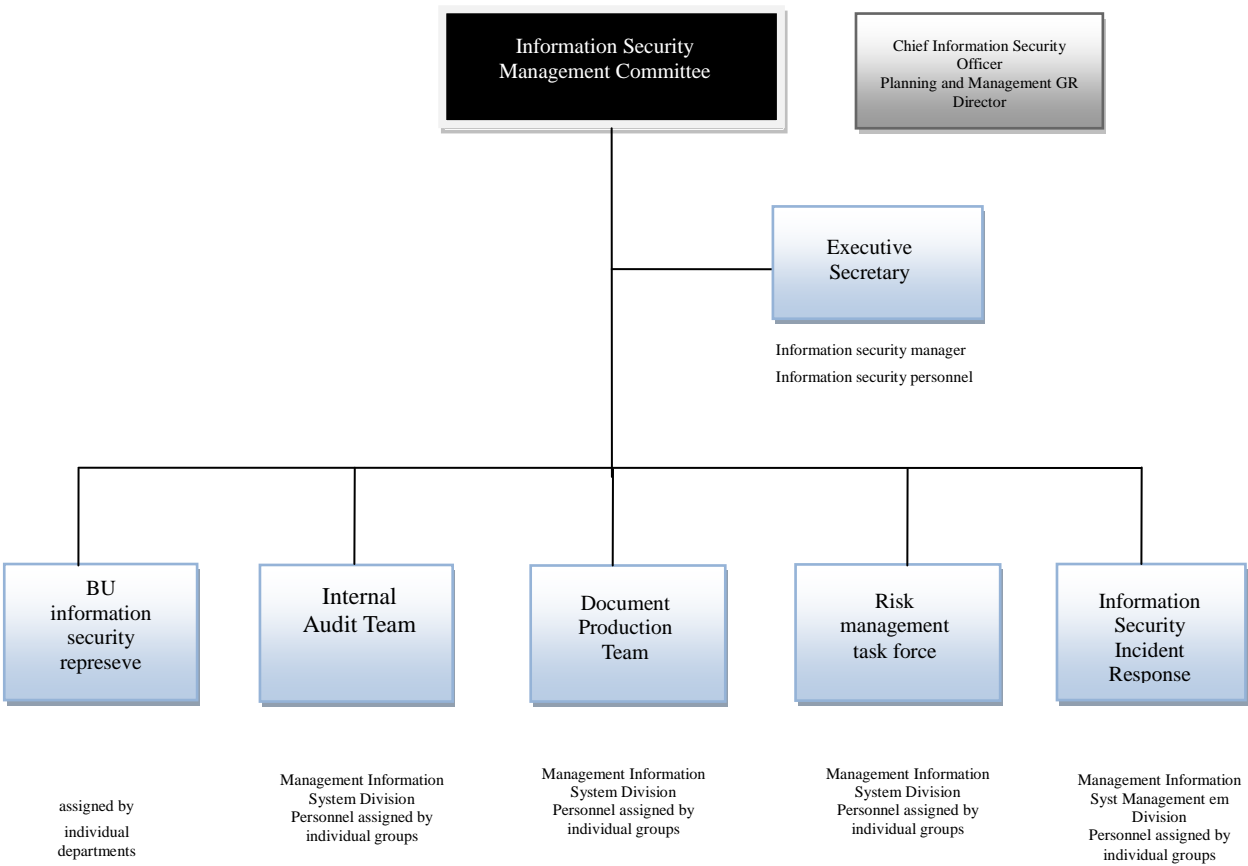
- (1) Information security governance organization

To improve information security management, we implemented the BS7799 information security management system (ISMS) in 2004. On December 16, 2022, we obtained the ISO27001 certificate and establish the “Information Security Management Committee” to take charge of the operation, management, supervision, and audit of the Company’s information security. The audit unit also periodically reports the review of information security governance to the Board.

The Company’s information security strategies, while maintaining the sustainable corporate operation, ultimately, relies on the compliance.



(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

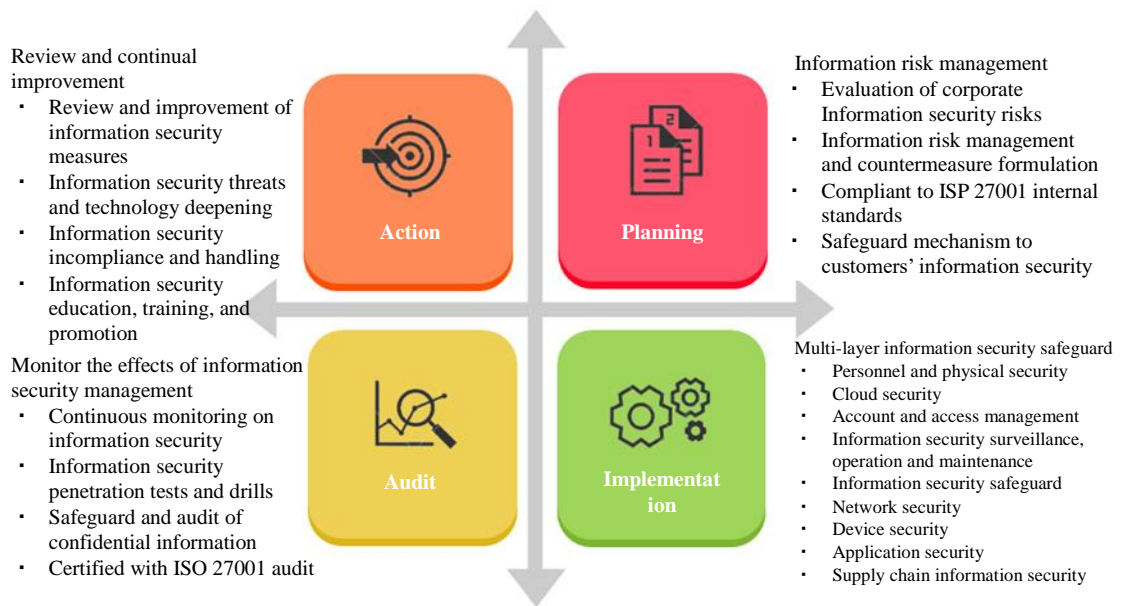
Operations Overview

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



(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

Operations Overview

applications, and integrating such to the development process and platform.

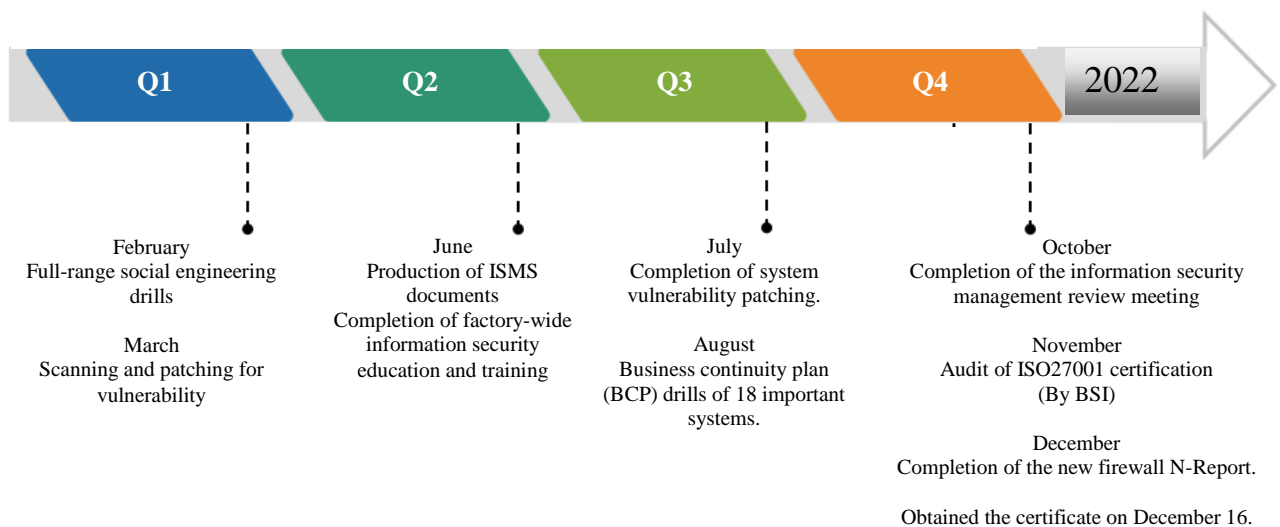
- d. Supply chain information security: establishing the self-check mechanism of supplier's Supply chain information security safeguard, promotion of information security threat information and the Company's information security regulations and notices, from time to time.

②Review 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
2022 outcomes of promotion of corporate information security measures



(II) Cyber information risks and countermeasures:

We have established the Information Security Management Committee to keep monitoring the latest information regarding information security threats. We have also established the legal affairs unit to track the information security regulations and policies in real-time. The group's administration department establishes the fundamental information security framework to evaluate the effect on the effect of information security on our future development and finance.

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

Operations Overview

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 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 2022 and up to March 31, 2023 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"> 1. The Company provides vehicles under the FUSO brand and locally manufactured parts to Daimler Trucks Asia Taiwan Ltd. (DTAT). 2. DTAT shall provide imported parts to the Company. 	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.
Distribution contract	MG Motor Taiwan Co., Ltd.	April 25, 2022 - July 31, 2025	Sales of various sedans and RVs.	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.,

Operations Overview

				Ltd. in China.
Permission agreements	SAIC Motor Corporation Limited	February 15, 2022 - February 14, 2032	We can manufacture and sell parts and vehicles based on the drawings, specifications, and all data provided by SAIC Motor Corporation Limited.	Based on the agreement, we are not allowed to transfer any third party the rights and license assigned to us.

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

Model \ Year		Financial Summary for The Last Five Years				
		2022	2021	2020	2019	2018
Current assets		17,381,582	19,520,745	20,378,864	17,362,074	25,022,561
Investment		22,076,500	26,328,082	25,025,448	25,019,153	30,893,216
Property, Plant and Equipment		6,209,320	6,215,856	6,527,229	6,419,254	6,388,147
Intangible assets		540,941	438,039	373,697	484,360	304,163
Other assets		2,281,296	2,232,392	2,292,455	2,181,627	1,896,329
Total assets		48,489,639	54,735,114	54,597,693	51,466,468	64,504,416
Current liabilities	Before Distribution	7,521,517	6,765,189	7,272,243	7,660,051	7,520,912
	After Distribution	9,735,998	9,810,101	11,147,585	7,660,051	9,873,798
Non-current liabilities		4,921,174	1,644,897	1,618,806	1,641,478	1,209,415
Total Liabilities	Before Distribution	12,442,691	8,410,086	8,891,049	9,301,529	8,730,327
	After Distribution	14,657,172	11,454,998	12,766,391	9,301,529	11,083,213
Equity attributable to shareholders of the parent		32,328,864	42,672,130	42,123,390	38,742,061	52,160,275
Share capital		5,536,203	5,536,203	5,536,203	5,536,203	13,840,508
Capital surplus		6,638,276	6,421,515	6,411,778	6,414,118	6,403,633
Retained earnings	Before Distribution	20,549,664	31,192,108	30,830,486	27,593,337	32,431,776
	After Distribution	18,335,183	28,147,196	26,955,144	27,593,337	30,078,890
Other equity interest		(395,279)	(477,696)	(655,077)	(801,597)	(515,642)
Treasury stock		-	-	-	-	-
Non-controlling interest		3,718,084	3,652,898	3,583,254	3,422,878	3,613,814

Financial Overview

Total equity	Before Distribution	36,046,948	46,325,028	45,706,644	42,164,939	55,774,089
	After Distribution	33,832,467	43,280,116	41,831,302	42,164,939	53,421,203

(2) Standalone Financial Statement

Unit: NTD\$ Thousand

Model \ Year		Financial Summary for The Last Five Years				
		2022	2021	2020	2019	2018
Current assets		11,881,031	13,941,764	15,318,461	12,120,424	18,364,097
Investment		24,571,593	28,907,509	27,392,369	27,117,410	34,316,145
Property, Plant and Equipment		3,976,007	3,958,483	4,206,695	4,013,461	3,610,823
Intangible assets		540,941	438,039	373,697	484,360	304,163
Other assets		1,333,536	1,287,775	1,221,889	1,158,124	1,111,356
Total assets		42,303,108	48,533,570	48,513,111	44,893,779	57,706,584
Current liabilities	Before Distribution	5,695,204	4,882,182	5,533,590	5,310,596	4,692,751
	After Distribution	7,909,685	7,927,094	9,408,932	5,310,596	7,045,637
Non-current liabilities		4,279,040	979,258	856,131	841,122	853,558
Total Liabilities	Before Distribution	9,974,244	5,861,440	6,389,721	6,151,718	5,546,309
	After Distribution	12,188,725	8,906,352	10,265,063	6,151,718	7,899,195
Share capital		5,536,203	5,536,203	5,536,203	5,536,203	13,840,508
Capital surplus		6,638,276	6,421,515	6,411,778	6,414,118	6,403,633
Retained earnings	Before Distribution	20,549,664	31,192,108	30,830,486	27,593,337	32,431,776
	After Distribution	18,335,183	28,147,196	26,955,144	27,593,337	30,078,890
Other equity interest		(395,279)	(477,696)	(655,077)	(801,597)	(515,642)
Treasury stock		-	-	-	-	-
Total equity	Before Distribution	32,328,864	42,672,130	42,123,390	38,742,061	52,160,275
	After Distribution	30,114,383	39,627,218	38,248,048	38,742,061	49,807,389

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				
	2022	2021	2020	2019	2018
Operating revenue	29,553,870	31,125,399	30,874,600	32,067,972	34,869,514
Gross profit	4,871,424	4,938,600	4,907,079	5,298,392	6,190,557
Income from operations	1,940,426	2,039,602	1,776,670	1,819,908	1,898,041
Non-operating income and expenses	(9,049,332)	3,038,674	1,975,796	(3,500,171)	2,412,672
Net profit (loss) before tax	(7,108,906)	5,078,276	3,752,466	(1,680,263)	4,310,713
Net Income (loss) from continuing operation	(7,604,445)	4,403,484	3,540,548	(2,308,373)	3,892,042
Income from discontinuing operation (note)	-	-	-	-	-
Net income (Loss)	(7,604,445)	4,403,484	3,540,548	(2,308,373)	3,892,042
Other comprehensive income	557,494	186,693	129,049	(296,174)	(367,622)
Total comprehensive income	(7,046,951)	4,590,177	3,669,597	(2,604,547)	3,524,420
Net income attributable to shareholders of the parent	(7,757,796)	4,181,835	3,277,320	(2,465,573)	3,592,999
Net income attributable to non-controlling interest	153,351	221,649	263,228	157,200	299,043
Comprehensive income attributable to Shareholders of the parent	(7,241,868)	4,383,360	3,382,531	(2,674,645)	3,298,141
Comprehensive income attributable to non-controlling interest	194,917	206,817	287,066	70,098	226,279
Earnings (loss) per share	(14.22)	7.67	6.01	(2.38)	2.64

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				
	2022	2021	2020	2019	2018
Operating revenue	26,058,580	27,605,201	26,962,048	26,365,024	26,585,972
Gross profit	4,337,007	4,334,701	4,088,747	4,186,339	4,485,470
Income from operations	1,885,040	1,874,046	1,621,866	1,814,933	1,807,663
Non-operating income and expenses	(9,243,836)	2,874,789	1,756,454	(3,807,506)	2,088,336
Net profit (loss) before tax	(7,358,796)	4,748,835	3,378,320	(1,992,573)	3,895,999
Net Income (loss) from continuing operation	(7,757,796)	4,181,835	3,277,320	(2,465,573)	3,592,999
Income from Discontinued Operations	-	-	-	-	-
Net income (Loss)	(7,757,796)	4,181,835	3,277,320	(2,465,573)	3,592,999
Other comprehensive income (income after tax)	515,928	201,525	105,211	(209,072)	(294,858)
Total comprehensive income	(7,241,868)	4,383,360	3,382,531	(2,674,645)	3,298,141
Earnings (loss) per share	(14.22)	7.67	6.01	(2.38)	2.64

Financial Overview

(II) Auditors' Opinions for the Last Five Years

Annual	2022	2021	2020	2019	2018
CPA	Ya-Ling Wong Hsiu-Ming Hsu	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
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				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt Ratio	25.66	15.37	16.28	18.07	13.53
	Ratio of long-term capital to property, plant and equipment	659.78	771.73	725.05	682.42	892.02
Solvency (%)	Current ratio	231.09	288.55	280.23	226.66	332.71
	Quick ratio	153.73	215.77	192.48	133.21	253.61
	Interest earned ratio (times)	(888.06)	493.37	224.21	(78.05)	295.47
Operating performance (times)	Accounts receivable turnover (times)	12.45	14.58	12.79	10.62	11.13
	Average collection period (days)	29.31	25.03	28.53	34.36	32.79
	Inventory turnover (times)	6.06	6.80	6.16	6.00	6.51
	Accounts payable turnover (times)	8.01	8.27	7.23	7.11	7.84
	Average days in sales	60.23	53.67	59.25	60.83	56.06
	Property, plant and equipment turnover	4.76	4.89	4.77	4.79	5.18
	equipment turnover rate					
Profitability (%)	Total assets turnover (times)	0.57	0.57	0.58	0.53	0.52
	Return on total assets (%)	(14.72)	8.07	6.70	(3.95)	6.10
	Return on stockholders' equity (%)	(18.46)	9.57	8.06	(4.71)	7.06
	Pre-tax income to paid-in capital ratio	(128.41)	91.73	67.78	(30.35)	31.15
	Paid-in capital ratio					
	Profit ratio (%)	(25.73)	14.15	11.47	(7.53)	11.62
Cash flow (%)	Earnings per share (NT\$)	(14.22)	7.67	6.01	(2.38)	2.64
	Cash flow ratio (%)	23.46	63.76	41.15	22.24	38.24
	Cash flow adequacy ratio (%)	57.69	73.87	77.57	69.92	85.06
	Cash reinvestment ratio (%)	(1.93)	0.59	3.98	(0.92)	0.45
Leverage	Operating leverage	3.08	3.01	3.47	2.76	3.09
	Financial leverage	1.00	1.01	1.01	1.01	1.01

Financial Overview

Variance analysis (changes less 20% in the last two years may be exempted):

1. The 2022 debt to total assets increased mainly because of the reduced assets and increased liabilities after increasing capital in investees.
2. Toe 2022 quick ratio reduced mainly because of the reduced cash after increasing investments in investees and distributing dividends.
3. The 2022 times interest earned (TIE) reduced mainly because of the reduced in the “share of investment gains and losses of affiliates and joint-ventures accounted for using equity method”.
4. The 2022 profitability ratios reduced mainly because of the reduced net income after tax after accounting for the losses of Tokio Marine Nawa Insurance Co., Ltd.
5. The 2022 cash flow ratio and cash reinvestment ratio reduced mainly because of the reduced cash flow from operating activities.
6. The 2022 cash flow adequacy ratio reduced mainly because of the increased “long-term investments acquired through the equity method”.

(II) Standalone Financial Statement

Item \ Year		Financial Analysis for the Last Five Years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt Ratio	23. 58	12. 08	13. 17	13. 70	9. 61
	Ratio of long-term capital to property, plant and equipment	920. 72	1102. 73	1021. 69	986. 26	1468. 19
Solvency (%)	Current ratio	208. 61	285. 56	276. 83	228. 23	391. 33
	Quick ratio	123. 78	204. 74	184. 49	125. 79	303. 32
	Interest earned ratio (times)	(41810. 34)	32527. 27	30713. 00	(23168. 45)	86578. 76
Operating performance (times)	Accounts receivable turnover (times)	13. 34	16. 53	15. 05	14. 05	15. 60
	Average collection period (days)	27. 36	22. 08	24. 25	25. 98	23. 40
	Inventory turnover (times)	6. 84	7. 65	6. 82	6. 58	6. 96
	Accounts payable turnover (times)	8. 63	8. 79	7. 48	7. 61	8. 15
	Average days in sales	53. 36	47. 71	53. 52	55. 47	52. 44
	Property, plant and equipment turnover rate	6. 57	6. 76	6. 56	6. 79	7. 19
	Total assets turnover (times)	0. 57	0. 57	0. 58	0. 50	0. 46
Profitability (%)	Return on total assets (%)	(17. 08)	8. 62	7. 02	(4. 81)	6. 27
	Return on stockholders' equity (%)	(20. 69)	9. 86	8. 11	(5. 42)	6. 97
	Pre-tax income to paid-in capital (%)	(132. 92)	85. 78	61. 02	(35. 99)	28. 15
	Profit ratio (%)	(29. 77)	15. 15	12. 16	(9. 53)	13. 75
	Earnings per share (NT\$)	(14. 22)	7. 67	6. 01	(2. 38)	2. 64
Cash flow (%)	Cash flow ratio (%)	26. 36	71. 15	40. 74	26. 19	47. 00
	Cash flow adequacy ratio (%)	47. 06	64. 70	63. 85	60. 23	70. 80

Financial Overview

	Cash reinvestment ratio (%)	(2.64)	(0.61)	3.37	(1.53)	(0.37)
Leverage	Operating leverage	2.77	2.96	3.72	2.50	3.09
	Financial leverage	1.00	1.00	1.00	1.00	1.00
<p>Variance analysis (changes less 20% in the last two years may be exempted):</p> <ol style="list-style-type: none"> 1. The 2022 debt to total assets increased mainly because of the reduced assets and increased liabilities after increasing capital in investees. 2. The 2022 current ratio and quick ratio reduced mainly because of the reduced cash after increasing investments in investees and distributing dividends. 3. The 2022 times interest earned (TIE) reduced mainly because of the reduced in the “share of investment gains and losses of affiliates and joint-ventures accounted for using equity method”. 4. The 2022 the average collection days increased mainly of the reduced average collection turnover caused by the increased net value of average receivables. 5. The 2022 profitability ratios reduced mainly because of the reduced net income after tax after accounting for the losses of Tokio Marine Nawa Insurance Co., Ltd. 6. The 2022 cash flow ratio and cash reinvestment ratio reduced mainly because of the reduced cash flow from operating activities. 7. The 2022 cash flow adequacy ratio reduced mainly because of the increased “long-term investments acquired through the equity method”. 						

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 2022 Financial Statements and Consolidated Financial Statements have been audited by CPA Ya-Ling Wong and Hsiu-Ming Hsu of Deloitte & Touche. The Company thus submitted the Financial Statements alongside the Business Report and earnings distribution proposal to the Audit Committee for review. As no non-compliance is found, this report is thus issued 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.

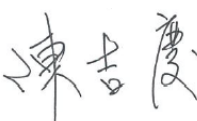
Please review

to

2023 Annual General Meeting of Shareholders

China Motor Corporation

Convener of Audit Committee: Chi-Ching Chen



March 14, 2023

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 (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

Revenue Recognition of Domestic Sales of Four-wheeled Vehicles from Major Customers

The revenue of the Group from domestic sales of four-wheeled vehicles is material to its consolidated financial statements, and the sales are concentrated among major customers. Therefore, we identified the occurrence of revenue recognition from domestic sales of four-wheeled vehicles from major customers as a key audit matter.

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

- We discussed with management to obtain an understanding of the accounting policy for recognizing revenue coming from domestic sales of four-wheeled vehicles from major customers 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 from major customers was recognized when the control of the goods has been transferred to the customer and the performance obligations have been satisfied.

Other Matter

The financial statements of Mercedes-Benz Vans Hong Kong Ltd. as of and for the year ended December 31, 2022, which were accounted for using the equity method as investment of the Group, as well as the financial statements of Mercedes-Benz Vans Hong Kong Ltd., Shung Ye Motors Corporation, Uni Auto Parts Manufacture Co., Ltd., Southeast-Motor Co., Ltd., and Looplus Service Technology, Inc. as of and for the year ended December 31, 2021, were audited by other auditors. 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\$3,787,680 thousand, representing 7.8% and NT\$4,605,344 thousand, representing 8.4% of the Group's total assets as of December 31, 2022 and 2021, respectively. The Group's share of comprehensive income of the aforementioned investments accounted for using the equity-method amounted to NT\$1,411,629 thousand and NT\$943,332 thousand for the years ended December 31, 2022 and 2021, respectively, which accounted for 20.0% and 20.6% 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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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, 2023

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.

V.Consolidated Financial Statements and Appendixes

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 8,178,776	17	\$ 11,647,027	21
Financial assets at fair value through profit or loss (Notes 4 and 7)	130,675	-	230,239	1
Financial assets at amortized cost (Notes 4, 9, 10 and 30)	296,191	1	424,669	1
Financial assets for hedging (Notes 4 and 11)	208,569	-	107,712	-
Notes and accounts receivable, net (Notes 4, 12 and 23)	1,294,631	3	692,831	1
Trade receivables from related parties (Notes 4, 23 and 29)	1,365,803	3	1,394,827	3
Other receivables (Note 24)	88,100	-	100,136	-
Inventories (Notes 4 and 13)	4,255,685	9	3,893,940	7
Prepayments (Note 29)	1,357,885	3	770,585	1
Other current assets (Notes 4 and 25)	<u>205,267</u>	<u>-</u>	<u>258,779</u>	<u>1</u>
Total current assets	<u>17,381,582</u>	<u>36</u>	<u>19,520,745</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 29)	603,474	1	676,756	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	295,074	-	151,421	-
Financial assets at amortized cost (Notes 4, 9 and 10)	288,299	-	546,467	1
Investments accounted for using the equity method (Notes 4 and 15)	20,889,653	43	24,953,438	46
Property, plant and equipment (Notes 4, 16, 29, and 30)	6,209,320	13	6,215,856	11
Right-of-use assets (Notes 4, 17 and 29)	354,579	1	257,450	-
Investment properties (Notes 4, 18 and 30)	1,283,270	3	1,345,564	2
Intangible assets under development (Note 4)	540,941	1	438,039	1
Deferred tax assets (Notes 4 and 25)	328,583	1	334,646	1
Other non-current assets (Notes 4, 21 and 24)	<u>314,864</u>	<u>1</u>	<u>294,732</u>	<u>1</u>
Total non-current assets	<u>31,108,057</u>	<u>64</u>	<u>35,214,369</u>	<u>64</u>
TOTAL	<u>\$ 48,489,639</u>	<u>100</u>	<u>\$ 54,735,114</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 160,000	-	\$ 140,000	-
Short-term bills payable	-	-	109,986	-
Notes and accounts payable	2,531,066	5	1,979,636	4
Trade payables to related parties (Note 29)	790,667	2	857,255	1
Other payables (Notes 4, 16 and 20)	2,820,975	6	2,594,738	5
Current tax liabilities (Notes 4 and 25)	414,242	1	423,104	1
Lease liabilities (Notes 4, 17 and 29)	73,744	-	62,450	-
Current portion of long-term borrowings (Note 19)	17,187	-	-	-
Other current liabilities (Notes 4, 7, 11, 23, 29 and 31)	<u>713,636</u>	<u>2</u>	<u>598,020</u>	<u>1</u>
Total current liabilities	<u>7,521,517</u>	<u>16</u>	<u>6,765,189</u>	<u>12</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	51,563	-	68,750	-
Deferred tax liabilities (Notes 4 and 25)	671,857	1	659,641	1
Lease liabilities (Notes 4, 17 and 29)	284,016	1	198,986	1
Net defined benefit liabilities (Notes 4 and 21)	184,742	-	670,214	1
Credit balance of investments accounted for using the equity method (Notes 4 and 15)	3,680,599	8	-	-
Other non-current liabilities	<u>48,397</u>	<u>-</u>	<u>47,306</u>	<u>-</u>
Total non-current liabilities	<u>4,921,174</u>	<u>10</u>	<u>1,644,897</u>	<u>3</u>
Total liabilities	<u>12,442,691</u>	<u>26</u>	<u>8,410,086</u>	<u>15</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 8 and 22)				
Ordinary shares	<u>5,536,203</u>	<u>12</u>	<u>5,536,203</u>	<u>10</u>
Capital surplus	<u>6,638,276</u>	<u>14</u>	<u>6,421,515</u>	<u>12</u>
Retained earnings				
Legal reserve	10,004,698	21	9,581,001	17
Special reserve	1,025,833	2	1,028,359	2
Unappropriated earnings	<u>9,519,133</u>	<u>19</u>	<u>20,582,748</u>	<u>38</u>
Total retained earnings	<u>20,549,664</u>	<u>42</u>	<u>31,192,108</u>	<u>57</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(555,831)	(1)	(826,741)	(2)
Unrealized valuation gain on investments in financial assets at fair value through other comprehensive income	135,015	-	377,436	1
Gain (loss) on hedging instruments (Note 11)	<u>25,537</u>	<u>-</u>	<u>(28,391)</u>	<u>-</u>
Total other equity	<u>(395,279)</u>	<u>(1)</u>	<u>(477,696)</u>	<u>(1)</u>
Total equity attributable to owners of the Corporation	32,328,864	67	42,672,130	78
NON-CONTROLLING INTERESTS (Notes 14 and 22)	<u>3,718,084</u>	<u>7</u>	<u>3,652,898</u>	<u>7</u>
Total equity	<u>36,046,948</u>	<u>74</u>	<u>46,325,028</u>	<u>85</u>
TOTAL	<u>\$ 48,489,639</u>	<u>100</u>	<u>\$ 54,735,114</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)				
Net sales	\$ 28,535,274	97	\$ 29,905,646	96
Other operating revenue	<u>1,018,596</u>	<u>3</u>	<u>1,219,753</u>	<u>4</u>
Total operating revenue	<u>29,553,870</u>	<u>100</u>	<u>31,125,399</u>	<u>100</u>
OPERATING COSTS (Notes 13, 24 and 29)				
Cost of goods sold	23,867,532	81	25,264,128	81
Other operating costs	<u>812,573</u>	<u>2</u>	<u>920,820</u>	<u>3</u>
Total operating costs	<u>24,680,105</u>	<u>83</u>	<u>26,184,948</u>	<u>84</u>
GROSS PROFIT	4,873,765	17	4,940,451	16
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(2,341)</u>	<u>-</u>	<u>(1,851)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,871,424</u>	<u>17</u>	<u>4,938,600</u>	<u>16</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	455,952	2	592,029	2
General and administrative expenses	878,345	3	879,588	3
Research and development expenses	<u>1,596,701</u>	<u>5</u>	<u>1,427,381</u>	<u>5</u>
Total operating expenses	<u>2,930,998</u>	<u>10</u>	<u>2,898,998</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>1,940,426</u>	<u>7</u>	<u>2,039,602</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates and joint ventures (Notes 4 and 15)	(9,466,662)	(32)	3,020,705	10
Interest income	117,687	1	99,285	-
Dividend income (Note 8)	63,115	-	44,407	-
Other income	115,276	-	138,385	-
Gain (loss) on disposal of investments (Notes 4 and 15)	9,592	-	(116,764)	-
Net foreign exchange gain (loss)	61,961	-	(10,043)	-
Gain (loss) on financial instruments at fair value through profit or loss (Note 29)	70,625	-	(3,303)	-
Expected credit gain (Notes 10 and 24)	38,662	-	47,171	-
Interest expense (Note 29)	(7,996)	-	(10,314)	-

(Continued)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Other expense (Note 29)	\$ (6,100)	-	\$ (23,732)	-
Impairment loss (Notes 4 and 16)	<u>(45,492)</u>	<u>-</u>	<u>(147,123)</u>	<u>-</u>
Total non-operating income and expenses	<u>(9,049,332)</u>	<u>(31)</u>	<u>3,038,674</u>	<u>10</u>
PROFIT (LOSS) BEFORE INCOME TAX	(7,108,906)	(24)	5,078,276	16
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(495,539)</u>	<u>(2)</u>	<u>(674,792)</u>	<u>(2)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(7,604,445)</u>	<u>(26)</u>	<u>4,403,484</u>	<u>14</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)	255,900	1	(49,947)	-
Unrealized gain (loss) on investments in equity instruments designated as fair value through other comprehensive income (Note 22)	8,482	-	(9,084)	-
Gain (loss) on hedging instruments (Notes 11 and 22)	16,026	-	(39,598)	-
Share of other comprehensive income of associates accounted for using the equity method (Notes 15 and 22)	28,279	-	178,298	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	(54,385)	-	23,121	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	33,372	-	(5,420)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Notes 15 and 22)	<u>269,820</u>	<u>1</u>	<u>89,323</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>557,494</u>	<u>2</u>	<u>186,693</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (7,046,951)</u>	<u>(24)</u>	<u>\$ 4,590,177</u>	<u>15</u>

(Continued)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (7,757,796)	(26)	\$ 4,181,835	13
Non-controlling interests	<u>153,351</u>	<u>-</u>	<u>221,649</u>	<u>1</u>
	<u>\$ (7,604,445)</u>	<u>(26)</u>	<u>\$ 4,403,484</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (7,241,868)	(25)	\$ 4,383,360	14
Non-controlling interests	<u>194,917</u>	<u>1</u>	<u>206,817</u>	<u>1</u>
	<u>\$ (7,046,951)</u>	<u>(24)</u>	<u>\$ 4,590,177</u>	<u>15</u>
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	<u>\$ (14.22)</u>		<u>\$ 7.67</u>	
Diluted	<u>\$ (14.22)</u>		<u>\$ 7.66</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation											
							Other Equity			Total	Non-controlling Interests	Total Equity
	Ordinary Shares		Capital Surplus	Retained 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			
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2021	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	\$ 3,583,254	\$ 45,706,644
Appropriation of the 2020 earnings												
Legal reserve	-	-	-	323,844	-	(323,844)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,875,342)	-	-	-	(3,875,342)	-	(3,875,342)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	9,737	-	-	10,104	-	-	-	19,841	-	19,841
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(137,173)	(137,173)
Net profit for the year ended December 31, 2021	-	-	-	-	-	4,181,835	-	-	-	4,181,835	221,649	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)	201,525	(14,832)	186,693
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	4,153,333	99,920	186,297	(56,190)	4,383,360	206,817	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 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	-	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	3,652,898	46,325,028
Appropriation of the 2021 earnings												
Legal reserve	-	-	-	423,697	-	(423,697)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,044,912)	-	-	-	(3,044,912)	-	(3,044,912)
Reversal of special reserve	-	-	-	-	(2,526)	2,526	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	216,761	-	-	(276,529)	-	-	-	(59,768)	-	(59,768)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(129,731)	(129,731)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	(7,757,796)	-	-	-	(7,757,796)	153,351	(7,604,445)
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	323,996	270,910	(129,624)	50,646	515,928	41,566	557,494
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	(7,433,800)	270,910	(129,624)	50,646	(7,241,868)	194,917	(7,046,951)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	-	85,076	-	(85,076)	-	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	27,721	-	(27,721)	-	-	-	-
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	-	3,282	3,282	-	3,282
BALANCE AT DECEMBER 31, 2022	553,620	\$ 5,536,203	\$ 6,638,276	\$ 10,004,698	\$ 1,025,833	\$ 9,519,133	\$ (555,831)	\$ 135,015	\$ 25,537	\$ 32,328,864	\$ 3,718,084	\$ 36,046,948

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

(With Deloitte & Touche auditors’ report dated March 30, 2023)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (7,108,906)	\$ 5,078,276
Adjustments for		
Depreciation expense	740,000	850,745
Amortization expense	106,393	88,886
Expected credit loss reversed	(29,317)	(49,158)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	(70,625)	3,303
Interest expense	7,996	10,314
Interest income	(117,687)	(99,285)
Dividend income	(63,115)	(44,407)
Share of profit of associates and joint ventures accounted for using the equity method	9,466,662	(3,020,705)
Net loss (gain) on disposal of property, plant and equipment	(27,697)	5,201
Loss (gain) on disposal of investment	(9,592)	116,764
Impairment loss of non-financial assets	4,877	224,273
Unrealized gain on transactions with associates	2,341	1,851
Unrealized loss (gain) on foreign currency exchange	15,590	(26,033)
Loss (gain) on lease modifications	50	(8,833)
Losses on recognition of provisions	-	65,302
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	251,480	929,071
Notes and accounts receivable	(612,376)	223,458
Trade receivables from related parties	29,027	(127,443)
Other receivables	(12,279)	(128,370)
Inventories	(347,932)	(135,635)
Prepayments	(652,562)	975,203
Other current assets	53,513	401,881
Notes and accounts payable	549,371	(605,933)
Trade payables to related parties	(71,924)	(48,512)
Other payables	258,043	(19,373)
Other current liabilities	109,758	165,495
Net defined benefit liabilities	(229,572)	(31,163)
Cash generated from operations	2,241,517	4,795,173
Income tax paid	(476,678)	(481,589)
Net cash generated from operating activities	1,764,839	4,313,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	9,878	18,368
Proceeds from refund of the capital reduction of financial assets at fair value through other comprehensive income	33,328	-
Acquisition of financial assets at amortized cost	(1,833,257)	(1,930,926)

(Continued)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from repayment of principal of financial assets at amortized cost	\$ 2,220,066	\$ 1,858,298
Acquisition of investments accounted for using the equity method	(4,437,749)	(33,500)
Acquisition of property, plant and equipment	(734,144)	(677,276)
Proceeds from disposal of property, plant and equipment	84,886	39,185
Acquisition of intangible assets	(148,712)	(109,106)
Acquisition of investment properties	(1,120)	(2,199)
Increase in other non-current assets	(51,542)	(5,358)
Interest received	123,702	100,848
Dividends received	<u>2,895,027</u>	<u>1,919,939</u>
Net cash generated from (used in) investing activities	<u>(1,839,637)</u>	<u>1,178,273</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	20,000	(75,000)
Decrease in short-term bills payable	(109,986)	(39,977)
Repayment of long-term borrowings	-	(25,000)
Repayment of the principal portion of lease liabilities	(75,590)	(83,049)
Increase (decrease) in other non-current liabilities	1,091	(7,540)
Cash dividends paid	(3,044,912)	(3,875,342)
Interest paid	(7,999)	(10,286)
Non-controlling interests	<u>(129,731)</u>	<u>(137,173)</u>
Net cash used in financing activities	<u>(3,347,127)</u>	<u>(4,253,367)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>11,705</u>	<u>(3,894)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,410,220)</u>	<u>1,234,596</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,754,206</u>	<u>10,519,610</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,343,986</u>	<u>\$ 11,754,206</u>

(Continued)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2022 and 2021:

	December 31	
	2022	2021
Cash and cash equivalents in the consolidated balance sheets	\$ 8,178,776	\$ 11,647,027
Cash and cash equivalents included in financial assets for hedging	<u>165,210</u>	<u>107,179</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 8,343,986</u>	<u>\$ 11,754,206</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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’s shares have 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 14, 2023.

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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are 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 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. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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 will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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.

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 (%)		Notes
			December 31		
			2022	2021	
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	g)
	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 Investment Co., Ltd. (“Advance Power Investment”)	Investment and sales	-	-	d)
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	100.00	f)
	Ling Wei Motor Co., Ltd. (“Ling Wei”)	Sales of second-hand vehicle	100.00	100.00	f)
	MG Motor Taiwan Co., Ltd. (“MG Motor”)	Sales of vehicle	100.00	-	h)
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	-	-	f)
COC	Ling Wei Motor Co., Ltd. (“Ling Wei”)	Sales of second-hand vehicle	-	-	f)
	Y. M. Hi-Tech Industry Ltd. (“Y. M. Hi-Tech”)	Steel plate cutting	42.30	42.30	b)
Kian Shen Investment	Kian Shen Investment Hong Kong Co., Limited (KSIHK)	Investment	43.87	43.87	a)
Hwa-Yu	Hwa-Lin Investments Ltd. (“Hwa-Lin”)	Overseas investment 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	
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	c)
	Tianjin Hwarui Maintenance Co., Ltd. (“Tianjin Hwarui”)	Sales and maintenance of vehicle and parts	-	100.00	e)
Dongguan Huayi	Dongguan Huashun Motor Sales Co., Ltd. (“Dongguan Huashun”)	Sales and maintenance of vehicle and parts	-	100.00	c)
Tianjin Hwarui	Tianjin Hwahong Sales Co., Ltd. (“Tianjin Hwahong”)	Sales of vehicle and parts	-	-	e)

- a) 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 and its subsidiaries were considered a subsidiary of the Group.
- b) 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 and its subsidiaries were considered a subsidiary of the Group.

- c) In December 2020, Dongguan Huashun and Dongguan Huayi resolved to dissolve their respective companies and the annulment was completed in February and June 2022, respectively.
- d) The Group's board of directors resolved to dissolve Advance Power Investment on December 10, 2020 and the annulment was completed in December 2021.
- e) In July 2021, Tianjin Hwahong and Tianjin Hwarui resolved to dissolve their respective companies and the annulment was completed in December 2021 and August 2022, respectively.
- f) 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.
- g) In December 2021, Hwa Chung Motors resolved to dissolve its company, and the annulment was completed in July 2022.
- h) In March 2022, Sino Diamond Motors established MG Motor for \$250,000 thousand, and incorporated it into the Group.

For the relationship between the Corporation and its controlled entities as of December 31, 2022, 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).

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.

When a reciprocal relationship exists between the Group and its investee, each holds an equity method investment interest in each other's shares, and the Group chooses to apply the treasury shares method to calculate its shares in the associate's profit or loss.

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.

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.

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 28.

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, notes receivable, trade receivables (including related parties), other receivables, and long-term receivables (included in other non-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.

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) Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3) 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 28.

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.

4) 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. In assessing whether a contract is onerous, before 2022, the cost of fulfilling a contract only includes the incremental costs of fulfilling that contract; however, starting from 2022, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

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.

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.

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 (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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.

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

	December 31	
	2022	2021
Cash		
Cash on hand	\$ 898	\$ 1,115
Checking accounts and demand deposits	<u>3,237,411</u>	<u>2,696,964</u>
	<u>3,238,309</u>	<u>2,698,079</u>
Cash equivalents		
Time deposits	3,251,367	8,165,908
Repurchase agreements	<u>1,689,100</u>	<u>783,040</u>
	<u>4,940,467</u>	<u>8,948,948</u>
	<u>\$ 8,178,776</u>	<u>\$ 11,647,027</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 market interest rate intervals of cash in banks and repurchase agreements at the end of the year were as follows:

	December 31	
	2022	2021
Demand deposits	0.001%-1.05%	0.00%-1.00%
Time deposits	0.34%-4.85%	0.23%-2.45%
Repurchase agreements	0.69%-0.87%	0.35%-0.43%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 118,044	\$ 229,626
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>12,631</u>	<u>613</u>
	<u>\$ 130,675</u>	<u>\$ 230,239</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 603,474</u>	<u>\$ 676,756</u>
<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	<u>\$ 8,985</u>	<u>\$ 976</u>

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

December 31, 2022

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2023.02.15-2023.03.24	JPY290,000/NTD66,867
Buy	USD/NTD	2023.01.06-2023.03.20	USD11,500/NTD361,178
Sell	RMB/USD	2023.01.06-2023.03.20	RMB72,091/USD10,000

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

The Group 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>	
	2022	2021
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares	\$ 1,354	\$ 15,798
Unlisted shares	<u>27,093</u>	<u>24,954</u>
	28,447	40,752
Foreign investments		
Unlisted shares	<u>266,627</u>	<u>110,669</u>
	<u>\$ 295,074</u>	<u>\$ 151,421</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.

During the years ended December 31, 2022 and 2021, the Group sold a portion of its listed shares which had a fair value of \$9,878 thousand and \$18,368 thousand, respectively. The related unrealized valuation gains of \$27,721 thousand and 30,418 thousand were transferred from other equity to retained earnings.

Dividends of \$335 thousand and \$577 thousand were recognized during 2022 and 2021, respectively. Those dividends are all related to investments held at the end of the year.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Pledged deposits (Note 30)	\$ 274,217	\$ 240,318
Principal guaranteed notes	22,040	176,138
Segregated foreign exchange deposit account for offshore funds	<u>-</u>	<u>8,724</u>
	296,257	425,180
Less: Allowance for impairment loss	<u>(66)</u>	<u>(511)</u>
	<u>\$ 296,191</u>	<u>\$ 424,669</u>
<u>Non-current</u>		
Segregated foreign exchange deposit account for offshore funds	\$ 81,560	\$ 340,390
Bonds	200,016	200,026
Preference shares	<u>9,900</u>	<u>9,900</u>
	291,476	550,316
Less: Allowance for impairment loss	<u>(3,177)</u>	<u>(3,849)</u>
	<u>\$ 288,299</u>	<u>\$ 546,467</u>

- a. The rates of pledged deposits ranged from 1.03%-1.47% and 0.65%-0.82% per annum as of December 31, 2022 and 2021, respectively.
- b. The coupon rates of principal guaranteed notes ranged from 2.60% and 0.55%-2.60% per annum as of December 31, 2022 and 2021, 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” during 2020 and 2021. The funds after tax were deposited into the segregated foreign exchange deposit account. 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 0.05%-0.455% and 0.001%-2.50% per annum as of December 31, 2022 and 2021, respectively.
- d. The coupon rates of bonds ranged from 0.47%-0.86% per annum as of December 31, 2022 and 2021.
- e. The coupon rate of the preference shares was 1.50% per annum as of December 31, 2022 and 2021.
- 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	
	2022	2021
Gross carrying amount	\$ 587,733	\$ 975,496
Less: Allowance for impairment loss	<u>(3,243)</u>	<u>(4,360)</u>
Amortized cost	<u>\$ 584,490</u>	<u>\$ 971,136</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 do not have credit rating	Lifetime ECLs - not credit-impaired

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

December 31, 2022

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.00%-0.30%	\$ 577,833
No rating	29.0545%	9,900

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

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, 2022	\$ 831	\$ 3,529
Financial assets purchased (a)	1,338	-
Derecognition (b)	(1,784)	-
Change in exchange rates or others	<u>(19)</u>	<u>(652)</u>
Balance at December 31, 2022	<u>\$ 366</u>	<u>\$ 2,877</u>
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>

- a. The new investment in principal guaranteed notes of \$446,159 thousand during the year ended December 31, 2022, and correspondingly increased the loss allowance for investments related as performing of \$1,338 thousand; 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.
- b. The investments in principal guaranteed notes of \$600,491 thousand and \$806,777 thousand expired and were redeemed during the years ended December 31, 2022 and 2021, respectively, with consequential reductions in the loss allowance for investments rated as performing of \$1,784 thousand and \$2,532 thousand, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2022	2021
<u>Financial assets</u>		
Cash flow hedges - spot rate	\$ 165,210	\$ 107,179
Cash flow hedges - foreign exchange forward contracts	<u>43,359</u>	<u>533</u>
	<u>\$ 208,569</u>	<u>\$ 107,712</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Cash flow hedges - foreign exchange forward contracts	<u>\$ 33,482</u>	<u>\$ 3,971</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, 2022 and 2021, hedging instruments at fair value and transferred to initial carrying amount of hedged items are detailed in Note 22(e).

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

December 31, 2022

Hedging Instruments	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 hedge								
Forecast purchases - spot rate	JPY/NTD	JPY303,436/NTD67,223	2023.01.13-2023.03.22	0.2185-0.2229	Financial assets for hedging	\$ 70,518	\$ -	\$ 2,636
Forecast purchases - spot rate	RMB/NTD	RMB21,482/NTD95,025	2023.02.22	4.4236	Financial assets for hedging	94,692	-	(266)
Forecast purchases - foreign exchange forward contracts	JYP/NTD	JPY465,000/NTD107,411	2023.01.13-2023.03.15	0.2307-0.2313	Financial assets for hedging	872	-	697
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB263,454/USD36,550	2023.01.06-2023.03.20	7.1968-7.2213 (USD1:RMB)	Financial assets for hedging	42,487	-	33,990
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD36,550/NTD1,152,974	2023.01.06-2023.03.20	31.3850-31.8080 (USD1:NTD)	Other current liabilities	-	(33,482)	(26,786)
						<u>\$ 208,569</u>	<u>\$ (33,482)</u>	<u>\$ 10,271</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>\$ (10,271)</u>	<u>\$ 10,271</u>

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>
	Hedging Gains (Losses) Recognized in OCI	
	For the Year Ended December 31	
	2022	2021
Cash flow hedges		
Forecast purchases	<u>\$ 16,026</u>	<u>\$ (39,598)</u>

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	
	2022	2021
At amortized cost		
Notes and accounts receivable	\$ 1,310,340	\$ 699,194
Less: Allowance for impairment loss	<u>(15,709)</u>	<u>(6,363)</u>
	<u>\$ 1,294,631</u>	<u>\$ 692,831</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	
	2022	2021
Not past due	\$ 1,284,604	\$ 693,257
1-60 days past due	18,958	5,839
61-90 days past due	10	15
Over 90 days past due	<u>6,768</u>	<u>83</u>
Gross carrying amount	1,310,340	699,194
Loss allowance (Lifetime ECLs)	<u>(15,709)</u>	<u>(6,363)</u>
Amortized cost	<u>\$ 1,294,631</u>	<u>\$ 692,831</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 6,363	\$ 8,469
Add: Net remeasurement of loss allowance	9,345	-
Less: Net reversal of loss allowance	-	(1,987)
Foreign exchange gains and losses	<u>1</u>	<u>(119)</u>
Balance at December 31	<u>\$ 15,709</u>	<u>\$ 6,363</u>

13. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 29,317	\$ 81,031
Finished goods	1,340,641	1,234,947
Work in progress	424,104	276,244
Raw materials	2,351,329	2,237,392
Materials in transit	<u>110,294</u>	<u>64,326</u>
	<u>\$ 4,255,685</u>	<u>\$ 3,893,940</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$23,867,532 thousand and \$25,264,128 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, 2022 and 2021.

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

	December 31	
	2022	2021
Current assets	\$ 2,093,390	\$ 1,303,879
Non-current assets	3,515,983	4,020,005
Current liabilities	(669,940)	(486,118)
Non-current liabilities	<u>(319,622)</u>	<u>(398,845)</u>
Equity	<u>\$ 4,619,811</u>	<u>\$ 4,438,921</u>
Equity attributable to:		
Owners of Kian Shen	\$ 2,026,711	\$ 1,947,355
Non-controlling interests of Kian Shen	<u>2,593,100</u>	<u>2,491,566</u>
	<u>\$ 4,619,811</u>	<u>\$ 4,438,921</u>
	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ 1,500,265</u>	<u>\$ 1,275,608</u>
Profit for the year	\$ 269,818	\$ 306,767
Other comprehensive loss for the year	<u>65,212</u>	<u>(30,342)</u>
Total comprehensive income for the year	<u>\$ 335,030</u>	<u>\$ 276,425</u>
Profit attributable to:		
Owners of Kian Shen	\$ 118,369	\$ 134,579
Non-controlling interests of Kian Shen	<u>151,449</u>	<u>172,188</u>
	<u>\$ 269,818</u>	<u>\$ 306,767</u>
Total comprehensive income attributable to:		
Owners of Kian Shen	\$ 146,978	\$ 121,268
Non-controlling interests of Kian Shen	<u>188,052</u>	<u>155,157</u>
	<u>\$ 335,030</u>	<u>\$ 276,425</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (66,294)	\$ (1,032)
Investing activities	800,329	617,090
Financing activities	(164,593)	(247,407)
Foreign exchange adjustments	<u>3,375</u>	<u>101</u>
Net cash inflow	<u>\$ 572,817</u>	<u>\$ 368,752</u>
Dividends paid to non-controlling interests	<u>\$ 86,519</u>	<u>\$ 90,639</u>

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in associates	\$ 13,970,989	\$ 17,545,961
Investments in joint ventures	<u>6,918,664</u>	<u>7,407,477</u>
	<u>\$ 20,889,653</u>	<u>\$ 24,953,438</u>

Credit balance of long-term equity investment

Investments in associates	<u>\$ (3,680,599)</u>	<u>\$ -</u>
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a. Investments in associates

	December 31	
Associate	2022	2021
Material associates		
Yulon	\$ 7,508,895	\$ 8,188,389
Associates that are not individually material	<u>2,781,495</u>	<u>9,357,572</u>
	<u>\$ 10,290,390</u>	<u>\$ 17,545,961</u>

1) Material associates

The Group's proportion of shareholding and voting rights in Yulon was 16.80% on December 31, 2022 and 2021, 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:

	December 31	
Name of Associate	2022	2021
Yulon	<u>\$ 10,336,295</u>	<u>\$ 6,985,335</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	
	2022	2021
Current assets	\$ 270,783,114	\$ 234,854,492
Non-current assets	89,648,500	89,008,287
Current liabilities	(253,571,875)	(226,995,138)
Non-current liabilities	<u>(34,347,887)</u>	<u>(26,168,118)</u>
Equity	72,511,852	70,699,523
Non-controlling interests	<u>(24,380,919)</u>	<u>(18,047,660)</u>
	<u>\$ 48,130,933</u>	<u>\$ 52,651,863</u>
Proportion of the Group's ownership	16.80%	16.80%
Equity attributable to the Group	\$ 8,085,997	\$ 8,845,513
Unrealized gain with associates	(4,941)	-
Cross-shareholdings	<u>(572,161)</u>	<u>(657,124)</u>
Carrying amount	<u>\$ 7,508,895</u>	<u>\$ 8,188,389</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 77,079,263</u>	<u>\$ 78,047,772</u>
Net profit (loss) for the year	\$ (1,188,037)	\$ 7,742,315
Other comprehensive income	<u>719,534</u>	<u>149,839</u>
Total comprehensive income (loss) for the year	<u>\$ (468,503)</u>	<u>\$ 7,892,154</u>
Dividends received from Yulon	<u>\$ 250,072</u>	<u>\$ 166,714</u>

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net profit (loss) for the year	\$ (10,226,639)	\$ 1,014,030
Other comprehensive income	<u>11,213</u>	<u>124,690</u>
Total comprehensive income (loss) for the year	<u>\$ (10,215,426)</u>	<u>\$ 1,138,720</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 2.21% and 42.79% interest in Looplus Service Technology Inc. in the amount of \$3,000 thousand and \$32,000 thousand during the years ended December 31, 2022 and 2021, respectively. 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.

In September 2022, the Group invested \$196,649 thousand in Shung Ye Motor based on the original shareholding ratio.

Tokio Marine Newa Insurance recognized the after-tax losses from pandemic insurance during the year ended December 31, 2022. After the Group recognized investment loss in the amount of \$9,819,419 thousand by the shareholding ratio, the balance of long-term equity investment was a negative amount of \$3,680,599 thousand. The Group reclassified the amount to credit balance of long-term equity investment.

In October and December 2022, the Group subscribed for a total additional amount of \$4,238,100 thousand of new shares in Tokio Marine Newa Insurance without its existing ownership percentage, resulting in an increase of its continuing interest from 20.57% to 21.19%.

In March 2023, the Group resolved to increase the capital of Tokio Marine Newa Insurance within an amount of \$1,930,000 thousand in the extraordinary shareholders' meeting.

b. Investments in joint ventures

	December 31	
	2022	2021
Joint ventures that are not individually material	<u>\$ 6,918,664</u>	<u>\$ 7,407,477</u>

Aggregate information of joint ventures that are not individually material:

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net profit of the year	\$ 1,454,039	\$ 1,256,202
Other comprehensive income (loss)	<u>205,092</u>	<u>(13,929)</u>
Total comprehensive income for the year	<u>\$ 1,659,131</u>	<u>\$ 1,242,273</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 July 2022, August 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 (South East). The Group has resigned as director of South East in October 2022 and consequently ceased to have significant influence over South East. Therefore, South East is ceased to be a joint venture and is reclassified as financial asset at fair value through other comprehensive income. The Group measured retained investment in South East at fair value, and the difference between the previous carrying amount (including all related amount recognized in other comprehensive income) of South East attributable to the retained interest and its fair value is recognized as a gain on disposal of investments of \$31,800 thousand. The Group did not subscribe for additional new shares of the aforementioned company in proportion to its existing ownership percentage for the year ended 2021, which resulted in a decrease of the Group's combined shareholding from 25% to 5.525%. Accordingly, for the year ended 2021, the Group recognized a loss on disposal of investment of \$116,764 thousand in proportion to the amount of 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.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2022	\$ 1,974,774	\$ 127,960	\$ 4,831,713	\$ 22,837,647	\$ 1,665,541	\$ 513,209	\$ 31,950,844
Additions	10,930	1,457	16,967	96,261	32,894	537,737	696,246
Disposals	(2,222)	(925)	(286,102)	(643,009)	(176,412)	-	(1,108,670)
Reclassifications	52,322	5,341	297,823	58,773	(5,385)	(355,963)	52,911
Effect of foreign currency exchange differences	-	-	2,632	616	242	-	3,490
Balance at December 31, 2022	<u>\$ 2,035,804</u>	<u>\$ 133,833</u>	<u>\$ 4,863,033</u>	<u>\$ 22,350,288</u>	<u>\$ 1,516,880</u>	<u>\$ 694,983</u>	<u>\$ 31,594,821</u>
Accumulated depreciation and impairment							
Balance at January 1, 2022		\$ 117,711	\$ 4,045,563	\$ 20,261,139	\$ 1,310,575	\$ -	\$ 25,734,988
Disposals		(925)	(273,901)	(610,853)	(165,802)	-	(1,015,481)
Depreciation expense		2,551	101,580	467,989	82,053	-	654,173
Reclassifications		-	193,199	(146,020)	(46,283)	-	896
Impairment losses		-	-	45,492	-	-	45,492
Effect of foreign currency exchange differences		-	798	407	228	-	1,433
Balance at December 31, 2022		<u>\$ 119,337</u>	<u>\$ 4,067,239</u>	<u>\$ 20,018,154</u>	<u>\$ 1,180,771</u>	<u>\$ -</u>	<u>\$ 25,385,501</u>
Carrying amounts at December 31, 2022	<u>\$ 2,035,804</u>	<u>\$ 14,496</u>	<u>\$ 795,794</u>	<u>\$ 2,332,134</u>	<u>\$ 336,109</u>	<u>\$ 694,983</u>	<u>\$ 6,209,320</u>
Cost							
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>

(Continued)

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
Accumulated depreciation and impairment							
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>

(Concluded)

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

The Group recognized impairment loss of \$45,492 thousand for the year ended December 31, 2022, mainly due to the assessment of certain assets related to the government land expropriation of its subsidiary, which is deemed to have no future cash inflow. 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%.

Acquisitions of property, plant and equipment included payables for equipment, and the related reconciliations were as follows:

	For the Year Ended December 31	
	2022	2021
Increase in property, plant and equipment	\$ 696,246	\$ 652,004
Decrease in equipment payables (included in other payables)	<u>37,898</u>	<u>25,272</u>
	<u>\$ 734,144</u>	<u>\$ 677,276</u>

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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 248,979	\$ 117,972
Buildings	94,866	125,549
Other equipment	<u>10,734</u>	<u>13,929</u>
	<u>\$ 354,579</u>	<u>\$ 257,450</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 174,233</u>	<u>\$ 106,051</u>
Depreciation charge for right-of-use assets		
Land	\$ 26,791	\$ 27,723
Buildings	39,769	52,875
Other equipment	<u>8,175</u>	<u>6,940</u>
	<u>\$ 74,735</u>	<u>\$ 87,538</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 73,744</u>	<u>\$ 62,450</u>
Non-current	<u>\$ 284,016</u>	<u>\$ 198,986</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.20%-1.41%	1.20%-1.41%
Buildings	1.37%-1.80%	1.20%-1.80%
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

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 7,949	\$ 12,822
Expenses relating to low-value asset leases	\$ 4,437	\$ 4,696
Total cash outflow for leases	\$ 92,875	\$ 108,146

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, 2022	\$ 1,823,357
Additions	1,120
Transfers to Property, Plant and Equipment	<u>(52,322)</u>
Balance at December 31, 2022	<u>\$ 1,772,155</u>

Accumulated depreciation and impairment

Balance at January 1, 2022	\$ 477,793
Depreciation expense	<u>11,092</u>
Balance at December 31, 2022	<u>\$ 488,885</u>
Carrying amount at December 31, 2022	<u>\$ 1,283,270</u>

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>

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, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	\$ 51,974	\$ 59,964
Year 2	41,877	34,872
Year 3	33,798	28,714
Year 4	9,018	28,714
Year 5	2,961	7,653
Later than 5 years	<u>21,734</u>	<u>12,414</u>
	<u>\$ 161,362</u>	<u>\$ 172,331</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 \$2,118,742 thousand and \$2,294,334 thousand as of December 31, 2022 and 2021, respectively.

Investment properties as of December 31, 2022 and 2021 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 30.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Line of credit borrowings	<u>\$ 160,000</u>	<u>\$ 140,000</u>

The ranges of interest rate on credit borrowings were 1.79%-1.88% and 0.90% per annum as of December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 68,750	\$ 68,750
Less: Current portions	<u>(17,187)</u>	<u>-</u>
Long-term borrowings	<u>\$ 51,563</u>	<u>\$ 68,750</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, and will gradually repay the borrowings from October 15, 2023. As of December 31, 2022 and 2021, the annual interest rates were 1.35% and 0.725%, respectively.

20. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries or bonuses	\$ 1,052,363	\$ 1,166,206
Payables for taxes	282,075	82,752
Payables for warranties	276,426	258,401
Payables for development	169,742	115,411
Payables for equipment	151,209	189,110
Provisions for employee benefits	138,439	139,090
Payables for advertisement	91,001	209,167
Others	<u>659,720</u>	<u>434,601</u>
	<u>\$ 2,820,975</u>	<u>\$ 2,594,738</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, Greentrans, MG Motor 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.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation and Kian Shen, 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:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 2,074,516	\$ 2,303,574
Fair value of plan assets	<u>(1,891,118)</u>	<u>(1,633,360)</u>
Net defined benefit liabilities, net	183,398	670,214
Net defined benefit assets (included in other non-current assets)	<u>1,344</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 184,742</u>	<u>\$ 670,214</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 2,303,574</u>	<u>\$ (1,633,360)</u>	<u>\$ 670,214</u>
Service cost			
Current service cost	23,479	-	23,479
Past service cost	24,418	-	24,418
Net interest expense (income)	<u>11,116</u>	<u>(7,908)</u>	<u>3,208</u>
Recognized in profit or loss	<u>59,013</u>	<u>(7,908)</u>	<u>51,105</u>
Remeasurement			
Return on plan assets	-	(137,879)	(137,879)
Actuarial loss (gain)			
Changes in financial assumptions	(178,585)	-	(178,585)
Experience adjustments	<u>60,564</u>	<u>-</u>	<u>60,564</u>
Recognized in other comprehensive income	<u>(118,021)</u>	<u>(137,879)</u>	<u>(255,900)</u>
Contributions from the employer	-	(243,886)	(243,886)
Benefits paid	(131,915)	131,915	-
Portion of benefits paid by the Corporation	<u>(38,135)</u>	<u>-</u>	<u>(38,135)</u>
Balance at December 31, 2022	<u>\$ 2,074,516</u>	<u>\$ (1,891,118)</u>	<u>\$ 183,398</u>
Balance at January 1, 2021	<u>\$ 2,384,534</u>	<u>\$ (1,733,104)</u>	<u>\$ 651,430</u>
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, 2022	<u>\$ 2,303,574</u>	<u>\$ (1,633,360)</u>	<u>\$ 670,214</u>

The disbursement amounts of defined benefit plans of associates were \$216 thousand and \$289 thousand in 2022 and 2021, 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.

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:

	December 31	
	2022	2021
Discount rate	1.25%-1.5%	0.5%-1%
Expected rate of salary increase	1.25%-2.25%	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:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (42,286)</u>	<u>\$ (53,787)</u>
0.25% decrease	<u>\$ 43,647</u>	<u>\$ 55,651</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 42,923</u>	<u>\$ 54,254</u>
0.25% decrease	<u>\$ (41,785)</u>	<u>\$ (52,708)</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.

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 35,639</u>	<u>\$ 249,060</u>
Average duration of the defined benefit obligation	6.8-10.1 years	7.5-10.6 years

22. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
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>553,260</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

	December 31	
	2022	2021
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
<u>May only be used to offset a deficit</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>262,542</u>	<u>45,781</u>
	<u>\$ 6,638,276</u>	<u>\$ 6,421,515</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(d).

In June 2022, the shareholders resolved the amendment of the dividend policy as set forth in the Articles in their meeting. The Corporation amended the article from “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” to “undistributed retained earnings to be distributed in the form of cash shall be authorized and resolved by the Corporation’s board of directors as the basis for proposing a distribution plan and reported in the shareholders’ meeting according to the Company Act; if such retained earnings will be distributed in the form of new shares to be issued by the Corporation, the distribution should be resolved in the shareholders’ meeting for distribution of earnings.”

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. 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.

Appropriations 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 deficits. 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.

The appropriations of earnings for 2021 and 2020 which were approved in the shareholders’ meeting in June 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 423,697	\$ 323,844		
Cash dividends	3,044,912	3,875,342	<u>\$5.5</u>	<u>\$7.0</u>

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

The appropriations for cash dividends for 2022 were resolved by the Corporation’s board of directors on March 14, 2023 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Cash dividends	<u>\$ 2,214,481</u>	<u>\$4.0</u>

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 1,028,359	\$ 1,028,359
Reversals		
Disposal of subsidiaries	<u>(2,526)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,025,833</u>	<u>\$ 1,028,359</u>

e. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (826,741)	\$ (926,661)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	9,266	(4,577)
Share from associates and joint ventures accounted for using the equity method	243,604	(12,267)
Reclassification adjustments		
Disposal of associates accounted for using equity method	(4,168)	116,764
Disposal of foreign operations	22,208	-
Other comprehensive income recognized for the year	<u>270,910</u>	<u>99,920</u>
Balance at December 31	<u>\$ (555,831)</u>	<u>\$ (826,741)</u>

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 377,436	\$ 264,666
Recognized for the year		
Unrealized loss - equity instruments	8,482	(9,084)
Share from associates accounted for using the equity method	<u>(138,106)</u>	<u>195,381</u>
Other comprehensive income (loss) recognized for the year	<u>(129,624)</u>	<u>186,297</u>
Cumulative unrealized gain of equity instruments transferred to retain earning due to disposal by associates	(85,076)	(43,109)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(27,721)</u>	<u>(30,418)</u>
Balance at December 31	<u>\$ 135,015</u>	<u>\$ 377,436</u>

3) Cash flow hedge

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (28,391)	\$ 6,918
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	10,652	(6,227)
Foreign currency risk - spot rate	2,169	(25,451)
Share from joint ventures accounted for using the equity method	<u>37,825</u>	<u>(24,512)</u>
Other comprehensive income (loss) recognized for the year	<u>50,646</u>	<u>(56,190)</u>
Transferred to initial carrying amount of hedged items	<u>3,282</u>	<u>20,881</u>
Balance at December 31	<u>\$ 25,537</u>	<u>\$ (28,391)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 3,652,898	\$ 3,583,254
Attributable to non-controlling interests:		
Share of profit for the period	<u>153,351</u>	<u>221,649</u>
Other comprehensive income (loss) recognized for the year		
Exchange differences on translation the financial statements of foreign operations	1,898	(843)
Remeasurement on defined benefit plans	9,284	1,185
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	<u>30,384</u>	<u>(15,174)</u>
Other comprehensive income (loss) recognized for the year	<u>41,566</u>	<u>(14,832)</u>
Cash dividend distributed by subsidiaries	<u>(129,731)</u>	<u>(137,173)</u>
Balance at December 31	\$ <u>3,718,084</u>	\$ <u>3,652,898</u>

23. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods		
Revenue from sale of vehicles	\$ 22,322,209	\$ 23,791,349
Revenue from sale of components	<u>6,213,065</u>	<u>6,114,297</u>
	28,535,274	29,905,646
Service revenue	884,005	1,098,324
Rental income	119,977	111,874
Other revenue	<u>14,614</u>	<u>9,555</u>
	\$ <u>29,553,870</u>	\$ <u>31,125,399</u>

Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (Note 12)	\$ <u>1,294,631</u>	\$ <u>692,831</u>	\$ <u>914,273</u>
Trade receivables from related parties (Note 29)	\$ <u>1,365,803</u>	\$ <u>1,394,827</u>	\$ <u>1,267,478</u>
Contract liabilities (included in other current liabilities)	\$ <u>203,185</u>	\$ <u>178,090</u>	\$ <u>144,177</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payments.

The Group recognized revenue from the beginning of contract liability, which amounted to \$112,634 thousand and \$42,720 thousand for the years ended December 31, 2022 and 2021, respectively.

24. NET PROFIT (LOSS)

Net profit (loss) included the following:

a. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 561,820	\$ 688,524
Operating expenses	<u>178,180</u>	<u>162,221</u>
	<u>\$ 740,000</u>	<u>\$ 850,745</u>
An analysis of amortization by function		
Operating costs	\$ 6,075	\$ 5,999
Operating expenses	<u>54,508</u>	<u>38,123</u>
	<u>\$ 60,583</u>	<u>\$ 44,122</u>
An analysis of amortization of intangible assets by function		
Research and development expenses	<u>\$ 45,810</u>	<u>\$ 44,764</u>

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

	For the Year Ended December 31	
	2022	2021
Rental income from investment properties	<u>\$ 68,827</u>	<u>\$ 74,923</u>
Direct operating expenses from investment properties generating rental income	<u>\$ 24,994</u>	<u>\$ 24,898</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 72,879	\$ 74,410
Defined benefit plans	<u>50,889</u>	<u>77,857</u>
	123,768	152,267
Short-term benefits	<u>2,985,073</u>	<u>3,127,873</u>
	<u>\$ 3,108,841</u>	<u>\$ 3,280,140</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 1,632,647	\$ 1,708,483
Operating expenses	<u>1,476,194</u>	<u>1,571,657</u>
	<u>\$ 3,108,841</u>	<u>\$ 3,280,140</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 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.

Due to the net loss before income tax for the year ended December 31, 2022, the Corporation did not accrue employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2021, which was approved by the Corporation's board of directors in March 2022, is as follows:

Amount

	For the Year Ended December 31, 2021
	Cash
Employees' compensation	\$ 46,959
Remuneration of directors	24,098

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, 2021 and 2020.

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. Expected credit gain

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. The disposal was completed in May 2020. The Group recognized an expected credit gain of \$37,545 thousand and \$46,919 thousand for the years ended December 31, 2022 and 2021, respectively, after taking into consideration the debtor's current financial position, the value of the assets pledged as collateral and collection of long-term receivables. As of December 31, 2022 and 2021, the balances of receivables were \$180,494 thousand (recorded as other receivables of \$57,259 thousand and other non-current assets of \$123,235 thousand) and \$194,074 thousand (recorded as other receivables of \$45,034 thousand and other non-current assets of \$149,040 thousand), respectively.

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 532,830	\$ 434,160
Taxation for repatriated offshore funds	-	167,141
Tax refund for offshore funds	(593)	(6,681)
Adjustments for the prior years	<u>228</u>	<u>9,718</u>
	<u>532,465</u>	<u>604,338</u>
Deferred tax		
In respect of the current year	(18,311)	70,919
Adjustments for the prior years	<u>(18,615)</u>	<u>(465)</u>
	<u>(36,926)</u>	<u>70,454</u>
Income tax expense recognized in profit or loss	<u>\$ 495,539</u>	<u>\$ 674,792</u>

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

	For the Year Ended December 31	
	2022	2021
Profit (loss) before tax	<u>\$ (7,108,906)</u>	<u>\$ 5,078,276</u>
Income tax expense (benefit) calculated at the statutory rate	(1,421,781)	\$ 1,015,655
Non-deductible expense	121,844	6,019
Tax-exempt income	2,401,095	(397,293)
Additional income tax under the Alternative Minimum Tax Act	4,177	-
Taxation for repatriated offshore funds	-	167,141
Tax refund for offshore funds	(593)	(6,681)
Income tax on unappropriated earnings	5,167	9,203
Unrecognized deductible temporary differences	(570,645)	(20,373)
Investment credits	(608)	(60,474)
Unrecognized loss carryforwards	6,771	(48,299)
Effect of different tax rates of group entities operating in other jurisdictions	(24,533)	(93)
Adjustments for prior years' tax	(18,387)	9,253
Others	<u>(6,968)</u>	<u>734</u>
Income tax expense recognized in profit or loss	<u>\$ 495,539</u>	<u>\$ 674,792</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.

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.

The Group made substantive investments, which amounted to \$13,546 thousand and \$158,190 thousand for the years ended December 31, 2022 and 2021, respectively, and applications for the refund of tax paid were filed in the amounts of \$593 thousand and \$6,681 thousand, respectively.

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%.

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

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ (51,180)	\$ 15,202
Cash flow hedges	<u>(3,205)</u>	<u>7,919</u>
	<u>\$ (54,385)</u>	<u>\$ 23,121</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets (included in other current assets)		
Tax refund receivable and prepaid income tax	<u>\$ 96,851</u>	<u>\$ 162,140</u>
Current tax liabilities		
Income tax payable	<u>\$ 414,242</u>	<u>\$ 423,104</u>

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, 2022

	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	\$ 105,167	\$ (39,163)	\$ (51,180)	-	\$ 14,824
Other payables	70,635	52	-	-	70,687
Inventories	61,353	(7,045)	-	-	54,308
Others	<u>94,784</u>	<u>(155)</u>	<u>(1,458)</u>	<u>-</u>	<u>93,171</u>
	331,939	(46,311)	(52,638)	-	232,990
Loss carryforwards	<u>2,707</u>	<u>92,886</u>	<u>-</u>	<u>-</u>	<u>95,593</u>
	<u>\$ 334,646</u>	<u>\$ 46,575</u>	<u>\$ (52,638)</u>	<u>\$ -</u>	<u>\$ 328,583</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 588,634	\$ (1,443)	\$ -	\$ -	\$ 587,191
Reserve for land value increment tax	69,799	-	-	-	69,799
Others	<u>1,208</u>	<u>11,092</u>	<u>1,747</u>	<u>820</u>	<u>14,867</u>
	<u>\$ 659,641</u>	<u>\$ 9,649</u>	<u>\$ 1,747</u>	<u>\$ 820</u>	<u>\$ 671,857</u>
					(Concluded)

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>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Loss carryforwards		
Expiry in 2022	\$ -	\$ 5,663
Expiry in 2025	3,309	8,836
Expiry in 2028	263,303	299,373
Expiry in 2029	82,676	82,676
Expiry in 2030	495,620	495,620
Expiry in 2032	<u>81,191</u>	<u>-</u>
	<u>\$ 926,099</u>	<u>\$ 892,168</u>
Deductible temporary differences	<u>\$ 2,681,152</u>	<u>\$ 1,497,992</u>

f. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 3,309	2025
263,762	2028
85,051	2029
594,146	2030
5,263	2031
<u>452,530</u>	2032
<u>\$ 1,404,061</u>	

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

As of December 31, 2022 and 2021, the taxable temporary differences associated with an investment in subsidiaries for which no deferred tax liabilities have been recognized were \$536,404 thousand and \$523,203 thousand, respectively.

h. Income tax assessments

The income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings (loss) per share	<u>\$ (14.22)</u>	<u>\$ 7.67</u>
Diluted earnings (loss) per share	<u>\$ (14.22)</u>	<u>\$ 7.66</u>

The earnings (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share are as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2022	2021
Profit (loss) of the Corporation	<u>\$ (7,757,796)</u>	<u>\$ 4,181,835</u>

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

	For the Year Ended December 31	
	2022	2021
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>-</u>	<u>887</u>
Weight average number of ordinary shares used in the computation of diluted earnings per share	<u>545,381</u>	<u>546,268</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. Due to the net loss after tax for the year ended December 31, 2022, the Corporation did not compute the diluted loss per share with anti-dilutive effects by assuming that employees' compensation would be distributed in the form of shares.

27. 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.

28. 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, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 118,044	\$ -	\$ -	\$ 118,044
Domestic unlisted shares	-	-	603,474	603,474
Derivative financial instruments	-	-	12,631	12,631
	<u>\$ 118,044</u>	<u>\$ -</u>	<u>\$ 616,105</u>	<u>\$ 734,149</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,354	\$ -	\$ -	\$ 1,354
Domestic unlisted shares	-	-	27,093	27,093
Foreign unlisted shares	-	-	266,627	266,627
	<u>\$ 1,354</u>	<u>\$ -</u>	<u>\$ 293,720</u>	<u>\$ 295,074</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 165,210	\$ -	\$ -	\$ 165,210
Derivative financial instruments	-	-	43,359	43,359
	<u>\$ 165,210</u>	<u>\$ -</u>	<u>\$ 43,359</u>	<u>\$ 208,569</u>
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,985</u>	<u>\$ 8,985</u>
Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,482</u>	<u>\$ 33,482</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 229,626	\$ -	\$ -	\$ 229,626
Domestic unlisted shares	-	-	676,756	676,756
Derivative financial instruments	-	-	613	613
	<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	-	-	110,669	110,669
	<u>\$ 15,798</u>	<u>\$ -</u>	<u>\$ 135,623</u>	<u>\$ 151,421</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 107,179	\$ -	\$ -	\$ 107,179
Derivative financial instruments	-	-	533	533
	<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>

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, 2022

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	\$ 676,756	\$ 613	\$ 135,623	\$ 533	\$ 813,525
Recognized in profit or loss	54,781	12,018	-	-	66,799
Recognized in other comprehensive income	-	-	13,048	42,826	55,874
Sales	(128,063)	-	-	-	(128,063)
Proceeds from refund of the capital reduction	-	-	(33,328)	-	(33,328)
Transfers into Level 3	<u>-</u>	<u>-</u>	<u>178,377</u>	<u>-</u>	<u>178,377</u>
Balance at December 31	<u>\$ 603,474</u>	<u>\$ 12,631</u>	<u>\$ 293,720</u>	<u>\$ 43,359</u>	<u>\$ 953,184</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 976	\$ 3,971	\$ 4,947
Recognized in profit or loss	8,009	-	8,009
Recognized in other comprehensive loss	<u>-</u>	<u>29,511</u>	<u>29,511</u>
Balance at December 31	<u>\$ 8,985</u>	<u>\$ 33,482</u>	<u>\$ 42,467</u>

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 loss	<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>

3) Valuation techniques and inputs applied for the purpose of 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 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	
	2022	2021
Operating income ratio	0.37-6.46 times	0.92-4.78 times
Gross profit ratio	-	2.11-3.28 times
Post-tax profit ratio	-	8.39-13.27 times
P/B ratio	0.48-6.32 times	0.73-3.23 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	
	2022	2021
Operating income ratio		
0.1 time increase	<u>\$ 31,193</u>	<u>\$ 31,752</u>
0.1 time decrease	<u>\$ (31,193)</u>	<u>\$ (31,752)</u>
Gross profit ratio		
1 time increase	<u>\$ -</u>	<u>\$ 42,416</u>
1 time decrease	<u>\$ -</u>	<u>\$ (42,416)</u>
Post-tax profit ratio		
1 time increase	<u>\$ -</u>	<u>\$ 9,716</u>
1 time decrease	<u>\$ -</u>	<u>\$ (9,716)</u>
P/B ratio		
0.1 time increase	<u>\$ 69,934</u>	<u>\$ 82,299</u>
0.1 time decrease	<u>\$ (69,934)</u>	<u>\$ (82,299)</u>

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 734,149	\$ 906,995
Financial assets for hedging	208,569	107,712
Financial assets at amortized cost (Note 1)	11,665,578	14,977,623
Financial assets at FVTOCI	295,074	151,421

(Continued)

	December 31	
	2022	2021
<u>Financial liabilities</u>		
Amortized cost (Note 2)	\$ 6,387,884	\$ 5,766,306
FVTPL (included in other current liabilities)		
Held for trading	8,985	976
Financial liabilities for hedging (included in other current liabilities)	33,482	3,971
		(Concluded)

Note 1: The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes and accounts receivable (related parties included), other receivables, 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 comprise 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).

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.

	USD to NTD	
	For the Year Ended December 31	
	2022	2021
Loss	\$ (7,050)	\$ (6,750)
Equity	\$ -	\$ (830)

	JPY to NTD	
	For the Year Ended December 31	
	2022	2021
Gain	\$ 371	\$ 9
Equity	\$ (1,786)	\$ (3,501)

	RMB to NTD	
	For the Year Ended December 31	
	2022	2021
Loss	\$ (10,852)	\$ (13,457)
Equity	\$ (12,560)	\$ (1,805)

b) Interest rate risk

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

	December 31	
	2022	2021
Cash flow interest rate risk		
Financial assets	\$ 8,699,763	\$ 12,343,638
Financial liabilities	228,750	318,736
Fair value interest rate risk		
Lease liabilities	357,760	261,436

Sensitivity analysis

The sensitivity analysis below was 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, 2022 and 2021 would increase/decrease by \$21,178 thousand and \$30,062 thousand, respectively.

The Group's sensitivity to interest rates decreased during the current year was mainly due to the decrease 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, 2022 and 2021 would have increased/decreased by \$5,902 thousand and \$11,481 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, 2022 and 2021 would have increased/decreased by \$68 thousand and \$790 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, 2022 and 2021, the Group had available unutilized unsecured and secured financing facilities (including bills and letters) of \$6,347,719 thousand and \$6,707,901 thousand, respectively.

29. 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

Related Party Name	Related Party Category
Mitsubishi Motors Corporation (Mitsubishi Motors Corp.)	Investor that has significant influence over the Group
Mitsubishi Corporation	Investor that has significant influence over the Group (the relationship ended in December 2021.)
Tai Yuen Textile Co., Ltd.	Investor that has significant influence over the Group
Le Wen Investment Co., Ltd.	Investor that has significant influence over the Group
Yulon Management Company Ltd. (Yulon Management)	Subsidiary of investor that has significant influence over the Group
Mitsubishi Motors Philippines Corporation	Subsidiary of investor that has significant influence over the Group
Mitsubishi Motors Thailand	Subsidiary of investor that has significant influence over the Group
Shye Shyang Mechanical Industrial Co., Ltd.	The Group is its key management personnel
Fuzhou Samuel Mechanical and Electrical Co., Ltd.	The Group is its key management personnel
Advancision Corporation	The Group 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
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.	Associate
Yulon IT Solutions Inc.	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 (Taiwan Acceptance)	Associate
Yue Sheng Industrial Co., Ltd.	Associate
Luxgen Motor Co., Ltd. (Luxgen)	Associate
Yulon Nissan Motor Co., Ltd.	Associate

(Continued)

Related Party Name	Related Party Category
Y-Teks Co., Ltd.	Associate
YES-Energy Service Co., Ltd.	Associate
Yue Ki Industrial Co., Ltd. (Yue Ki Industrial)	Associate
Carplus Auto Leasing Corporation (Carplus Auto)	Associate
Fortune HS Leasing Co., Ltd.	Associate
Yu Rich Financial Services Company	Associate
ROC-Keeper Industrial Ltd.	Associate
Advance Power Machinery Co.	Associate
Fu-Lun Motors Co., Ltd.	Associate
Loopplus Service Technology Inc. (Loopplus Service)	Became an associate in April 2021
Tai Ya Investment (Hong Kong) Co., Ltd.	Associate
Shung Yi Motor Co., Ltd. (Shung Yi Motor)	Associate
Feng Jan Motor Co., Ltd.	Associate
H.K. Manpower Service Co., Ltd.	Associate
Carnival Industrial Corporation	Associate
Hangzhou Haitec Company	Associate
YES Charging Service Co., Ltd.	Associate
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Joint venture
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Joint venture
South East (Fujian) Motor Corporation Ltd. (South East)	Joint venture (the relationship ended in October 2022.)
Fujian Benz Automotive Co., Ltd.	Joint venture
Fuzhou Fushiang Motor Industrial 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	
		2022	2021
Sales	Associates		
	Fortune Motors	\$ 17,883,201	\$ 18,839,506
	Shung Ye Motor	3,885,136	4,348,180
	Others	<u>1,217,671</u>	<u>683,650</u>
		<u>22,986,008</u>	<u>23,871,336</u>
	Investors and subsidiaries of the investors that have significant influence over the Group	63,957	82,031
	Joint ventures	30,673	19,026
	Other	<u>4</u>	<u>-</u>
		<u>\$ 23,080,642</u>	<u>\$ 23,972,393</u>

2) Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Purchases	Associates	\$ 1,993,426	\$ 2,211,853
	Investors that have significant influence over the Group	863,479	1,240,799
	The Group is its key management personnel	287,466	321,310
	Joint ventures	<u>563</u>	<u>15,552</u>
		<u>\$ 3,144,934</u>	<u>\$ 3,789,514</u>

3) Technical services expense

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Cost of goods sold and selling and marketing expenses	Investors that have significant influence over the Group	<u>\$ 140,518</u>	<u>\$ 180,372</u>

4) Operating expenses

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
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	\$ 98,885	\$ 78,754
	Associates	22,017	19,080
	Others	<u>2,390</u>	<u>2,661</u>
		<u>\$ 123,292</u>	<u>\$ 100,495</u>

5) Contract liabilities

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other current liabilities	Associates		
	Luxgen	\$ -	\$ 56,058
	Others	<u>6,732</u>	<u>9,388</u>
		<u>\$ 6,732</u>	<u>\$ 65,446</u>

6) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade receivables from related parties	Associates		
	Fortune Motors	\$ 775,082	\$ 992,093
	Shung Ye Motor	255,427	266,478
	Shung Yi Motor	142,584	-
	Others	<u>178,390</u>	<u>124,663</u>
		<u>1,351,483</u>	<u>1,383,234</u>
	Investors and subsidiaries of investors that have significant influence over the Group	9,731	4,345
	Others	<u>4,589</u>	<u>7,248</u>
		<u>\$ 1,365,803</u>	<u>\$ 1,394,827</u>

7) Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables to related parties	Associates		
	Uni Auto Parts Manufacture	\$ 119,761	\$ 121,057
	Yue Ki Industrial	102,827	97,387
	ROC-Spicer	92,523	101,305
	Fortune Motors	72,514	107,730
	Others	<u>158,413</u>	<u>188,106</u>
		<u>546,038</u>	<u>615,585</u>
	Investors and subsidiaries of investors that have significant influence over the Group		
	Mitsubishi Motors Corp.	94,447	80,026
	Yulon Management	91,654	86,239
	Others	<u>-</u>	<u>10,954</u>
		<u>186,101</u>	<u>177,219</u>
	The Group is its key management personnel	50,326	56,226
	Others	<u>8,202</u>	<u>8,225</u>
		<u>\$ 790,667</u>	<u>\$ 857,255</u>

8) Prepayments

Line Item	Related Party Category/Name	December 31	
		2022	2021
Prepayments	Associates	\$ 55,292	\$ 340
	Others	<u>4,122</u>	<u>3,142</u>
		<u>\$ 59,414</u>	<u>\$ 3,482</u>

9) Acquisitions of property, plant and equipment

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Property, plant and equipment	Associates	\$ <u>7,392</u>	\$ <u>16,059</u>

10) Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Acquisitions of right-of-use assets	Associates	\$ <u>1,537</u>	\$ <u>8,989</u>

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities	Associates	\$ <u>3,973</u>	\$ <u>8,166</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Interest expense	Associates	\$ <u>79</u>	\$ <u>59</u>

11) Disposal of financial assets

For the Year Ended December 31, 2022

Related Party Category/Name	Line Item	Number of Shares (In Thousands)	Underlying Assets	Proceeds	Gain on Disposal (Note)
Taiwan Acceptance	Financial assets at fair value through profit or loss - non-current	3,248	Carplus Auto	\$ <u>128,063</u>	\$ <u>64,284</u>

Note: Included in gain on financial instruments at fair value through profit or loss

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, 2022 and 2021, 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 and company vehicles from its associates during the years ended December 31, 2022 and 2021. The lease term of the 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 terminated a portion of lease contracts early during the year ended December 31, 2022, and recognized a loss on lease modifications of \$50 thousand (included in other expense).

The Group signed a contract with Mitsubishi Motors Corporation, refer to Note 31 for the details.

c. Remuneration of key management personnel

The remuneration of directors and key executives for the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 92,193	\$ 121,983
Post-employment benefits	<u>1,194</u>	<u>1,188</u>
	<u>\$ 93,387</u>	<u>\$ 123,171</u>

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

30. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2022	2021
Investment properties	\$ 591,156	\$ -
Pledged deposits (Note 9)	274,217	240,318
Property, plant and equipment	<u>55,340</u>	<u>56,731</u>
	<u>\$ 920,713</u>	<u>\$ 297,049</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2022 were as follows:

- a. The Group issued guarantee notes amounting to \$5,708,430 thousand which had been pledged as collateral for loans from banks and other financial institutions; unused letters of credit amounted to \$13,315 thousand.
- b. The Group entered into an agreement with Mitsubishi Motors 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. 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 since September 2021. As of December 31, 2022, the Group 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 amounted to \$322,230 thousand and \$254,212 thousand (included in other current liabilities) as of December 31, 2022 and 2021, respectively.

32. 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.

33. 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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 241,427	4.408	\$ 1,064,210
USD	22,069	30.71	677,742
Non-monetary items			
Investments accounted for using the equity method			
RMB	805,354	4.408	3,550,002
EUR	115,760	32.72	3,787,680
Financial assets at FVTOCI			
RMB	42,512	4.408	187,394
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	45,851	4.408	202,112
JPY	565,658	0.2324	131,459

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

For the years ended December 31, 2022 and 2021, net foreign exchange gain (loss) were \$61,961 thousand and \$(10,043) thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions.

34. SEPARATELY DISCLOSED ITEMS

Except for those listed in Notes 7, 11 and 28, and Tables 1 to 10, there were no other separately disclosed items.

35. SEGMENT INFORMATION

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

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

	Segment Revenues		Segment Income or Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Vehicle manufacturing	\$ 28,084,477	\$ 29,363,550	\$ (7,196,689)	\$ 5,415,531
Channel	2,994,358	2,115,411	9,685	39,684
Others	67,922	45,646	(5,094)	(7,844)
Adjustment and eliminations	<u>(1,592,887)</u>	<u>(399,208)</u>	<u>(581)</u>	<u>(1,040)</u>
	<u>\$ 29,553,870</u>	<u>\$ 31,125,399</u>	<u>(7,192,679)</u>	<u>5,446,331</u>
Administration cost and remunerations to directors			(333,557)	(386,024)
Other non-operating income and expenses, net			<u>417,330</u>	<u>17,969</u>
Profit (loss) before income tax			<u>\$ (7,108,906)</u>	<u>\$ 5,078,276</u>

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, gain (loss) on disposal of investments, net foreign exchange gain (loss), gain (loss) on financial instruments at fair value through profit or loss, expected credit gain, interest expense, other expense, 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.

TABLE 1

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
0	China Motor Corporation	Sino Diamond Motors (Note 3)	Other receivables	Yes	\$ 600,000	-	-	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 969,866	\$ 6,465,773
		Tokio Marine Newa Insurance	Long-term receivables from related parties	Yes	620,000	-	-	-	Short-term financing	-	Working capital	-	-	-	969,866	6,465,773

Note 1: The amount is 3% of the total shareholders’ equity of the latest financial statements of China Motor Corporation.

Note 2: The amount is 20% of the total shareholders’ equity of the latest financial statements of China Motor Corporation.

Note 3: Eliminated during the preparation of the consolidated financial statements.

TABLE 2

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
China Motor Corporation	<u>Beneficiary certificates</u> Fubon Chi Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,160	\$ 50,270	-	\$ 50,270	
	<u>Shares</u> Shye Shyang Mechanical Industrial	Corporate director	Financial assets at fair value through profit or loss - non-current	9,009	603,474	10.00	603,474	
	Taiwan Aerospace	-	Financial assets at fair value through other comprehensive income - non-current	811	11,862	0.60	11,862	
	NORM Pacific Automation Corp.	-	Financial assets at fair value through other comprehensive income - non-current	128	1,822	0.45	1,822	
	Carnival	-	Financial assets at fair value through other comprehensive income - non-current	95	1,354	0.05	1,354	
	Com2B (Cayman) Corp.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	-	4.44	-	
	<u>Principal guaranteed notes</u> President Securities 100% Principal Guaranteed Note	-	Financial assets at amortized cost - current	-	21,974	-	-	
	<u>Corporate bonds</u> Evergreen Marine Corporation	-	Financial assets at amortized cost - non-current	-	99,900	-	-	
	YAGEO Corporation	-	Financial assets at amortized cost - non-current	-	99,816	-	-	
	<u>Shares</u> Advansion Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,327	56,172	15.07	56,172	
Alliance Investment & Management	T-Car Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,275	23,061	4.05	23,061	

(Continued)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Alliance Investment & Management	Solidlite Corporation	-	Financial assets at fair value through other comprehensive income - non-current	789	\$ 6,679	3.60	\$ 6,679	
	Site information service	-	Financial assets at fair value through other comprehensive income - non-current	65	5,060	0.54	5,060	
	Phalanx Biotech Group	-	Financial assets at fair value through other comprehensive income - non-current	216	1,670	0.30	1,670	
Ling Wei	<u>Preference shares</u> Rock Financial Risk Service Co., Ltd.	-	Financial assets at amortized cost - non-current	330	7,023	-	-	
	<u>Beneficiary certificates</u> Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,877	46,227	-	46,227	
Kian Shen	<u>Beneficiary certificates</u> FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	965	15,004	-	15,004	
Brilliant Insight International	<u>Beneficiary certificates</u> Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	475	6,543	-	6,543	
Hwa Wei	<u>Shares</u> South East (Fujian) Motor	-	Financial assets at fair value through other comprehensive income - non-current	70,917	187,394	3.70	187,394	

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

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal (Note 1)				Other Adjustment (Note 2)	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain on Disposal		Number of Shares	Amount
China Motor Corporation	<u>Shares</u> Tokio Marine Newa Insurance Co., Ltd	Investments accounted for using the equity method	Tokio Marine Newa Insurance Co., Ltd	Associates	61,510,524	\$ 2,382,144	423,810,007	\$ 4,238,100	373,026,440	\$ -	\$ (166,570)	\$ -	\$ (10,134,273)	112,294,091	\$ (3,680,599)

Note 1: It is capital reduction for offsetting accumulated deficits and issuance of cash dividends.

Note 2: Including the share of profit or loss of associate and share equity adjustments.

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, 2022

(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	Fortune Motors	Investee accounted for using the equity method	Sale	\$ (17,359,399)	(67)	Payment collected 15-90 days after the goods have been delivered	\$ -	-	\$ 768,477	36	
	Shung Ye Motor	Investee accounted for using the equity method	Sale	(3,188,696)	(12)	Payment collected 15-75 days after the goods have been delivered	-	-	225,044	10	
	MG Motor (Note 2)	Subsidiary	Sale	(1,018,796)	(4)	Payment collected 13-30 days after the goods have been delivered	-	-	297,656	14	
	Sino Diamond Motors (Note 2)	Subsidiary	Sale	(165,076)	(1)	Payment collected 16-120 days after the goods have been delivered	-	-	88,460	4	
	Greentrans (Note 2)	Subsidiary	Sale	(149,109)	(1)	Payment collected 7-210 days after the goods have been delivered	-	-	93,448	4	
	Kian Shen (Note 2)	Subsidiary	Purchase	616,662	4	Payment made within 45 days after the month of delivery	-	-	(126,328)	(5)	
	Uni Auto Parts Manufacture	Investee accounted for using the equity method	Purchase	607,555	4	Payment made within 45 days after the month of delivery	-	-	(119,761)	(4)	
	Mitsubishi Motors Corp.	Director of CMC	Purchase	583,983	3	Payment made 7 working days after the goods are shipped	-	-	(94,421)	(3)	
	ROC-Spicer	Investee accounted for using the equity method	Purchase	497,714	3	Payment made within 45 days after the month of delivery	-	-	(92,523)	(3)	
	COC (Note 2)	Subsidiary	Purchase	296,681	2	Payment made within 45 days after the month of delivery	-	-	(50,762)	(2)	
	Shye Shyang Mechanical Industrial	Director of Shye Shyang Mechanical Industrial	Purchase	279,572	2	Payment made within 45 days after the month of delivery	-	-	(50,326)	(2)	
	Yue Ki Industrial	Investee accounted for using the equity method	Purchase	163,471	1	Payment made within 45 days after the month of delivery	-	-	(29,995)	(1)	
	Uni-Calsonic	Investee accounted for using the equity method	Purchase	131,073	1	Payment made within 45 days after the month of delivery	-	-	(21,985)	(1)	

(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)	
Sino Diamond Motors	Shung Ye Motor	Investee accounted for using the equity method	Sale	\$ (696,261)	(45)	Payment collected 7-45 days after goods have been delivered	\$ -	-	\$ 30,310	17	
	Fortune Motors	Investee accounted for using the equity method	Sale	(523,662)	(34)	Payment collected 15-45 days after goods have been delivered	-	-	6,605	4	
	Mitsubishi Motors Corp.	Director of CMC	Purchase	279,496	38	Payment made 7 working days after the goods are shipped	-	-	(25)	-	
	China Motor Corporation (Note 2)	Parent company	Purchase	165,076	23	Payment made 16-120 days after the goods have been delivered	-	-	(88,460)	(37)	
Kian Shen	China Motor Corporation (Note 2)	Parent company	Sale	(616,662)	(41)	Payment collected within 45 days after the month of delivery	-	-	126,328	43	
	Yue Ki Industrial	Investee accounted for using the equity method	Purchase	166,935	13	Net 95 days from the end of the month of when invoice is issued	-	-	(73,561)	(20)	
COC	China Motor Corporation (Note 2)	Parent company	Sale	(296,681)	(26)	Payment collected within 45 days after the month of delivery	-	-	50,762	26	
	Yulon	Investee accounted for using the equity method	Sale	(228,791)	(20)	Payment collected within 45 days after the month of delivery	-	-	68,164	34	
	Yulon	Investee accounted for using the equity method	Purchase	106,642	17	Net 75 days from the end of the month of when invoice is issued	-	-	(7,090)	(4)	
China Engine	Yulon	Investee accounted for using the equity method	Sale	(106,035)	(77)	Payment collected within 45 days after the month of delivery	-	-	-	-	
Greentrans	China Motor Corporation (Note 2)	Parent company	Purchase	149,109	99	Payment made 7-210 days after the goods have been delivered	-	-	(93,448)	(100)	
MG Motor	Shung Yi Motor	Associate	Sale	(372,057)	(32)	Payment collected 16 days after the invoice date.	-	-	141,953	37	
	Feng Jan Motor	Associate	Sale	(174,582)	(15)	Payment collected 16 days after the invoice date.	-	-	60,717	16	
	China Motor Corporation (Note 2)	Parent company	Purchase	1,018,796	99	Payment made 13-30 days after the goods have been delivered	-	-	(297,656)	(99)	

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)

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, 2022
(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	Investee accounted for using the equity method	\$ 768,477	19.76	\$ -	-	\$ 768,477	\$ -
	Shung Ye Motor	Investee accounted for using the equity method	225,044	13.45	-	-	225,044	-
	MG Motor	Subsidiary	297,656	6.85	-	-	297,656	-
Kian Shen	China Motor Corporation	Parent company	126,328	5.57	-	-	126,328	-
MG Motor	Shung Yi Motor	Associate	141,953	5.24	-	-	141,953	-

TABLE 6

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
China Motor Corporation	Yulon (Note 4)	Miaoli, Taiwan	Manufacture and sale of vehicles	\$ 3,835,585	\$ 3,835,585	166,714,441	16.80	\$ 7,513,836	\$ (4,696,692)	\$ (689,119)	Investee accounted for using the equity method
	Kian Shen (Note 6)	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	32,201,367	43.87	2,270,737	269,818	118,149	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and providing of after-sales service of vehicle	2,132,826	2,132,826	132,116,729	41.95	4,771,432	76,299	34,419	Investee accounted for using the equity method
	Sino Diamond Motors (Note 6)	Taipei, Taiwan	Sales and providing of after-sales service of vehicle	2,192,724	2,192,724	151,067,030	100.00	1,622,460	89,452	163,159	Subsidiary
	Tokio Marine Newa Insurance	Taipei, Taiwan	Property insurance	5,194,041	955,941	112,294,091	21.19	(3,680,599)	(47,075,677)	(9,819,419)	Investee accounted for using the equity method
	Alliance Investment & Management (Note 6)	Taipei, Taiwan	Investment	320,030	1,200,030	95,000,000	100.00	470,585	64,036	59,095	Subsidiary
	Mercedes-Benz Vans Hong Kong Ltd.	Hong Kong	Investment	2,011,363	2,011,363	46,565,750	32.45	3,787,680	3,998,858	1,297,629	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	569,627	160,371	47,568	Investee accounted for using the equity method
	CMI (Note 6)	Samoa	Investment	1,402	1,402	40,000	100.00	215,346	(49,935)	(49,935)	Subsidiary
	COC (Note 6)	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle	412,125	412,125	33,564,678	49.76	843,670	115,627	57,846	Subsidiary
	Hwa Wei (Note 6)	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40,000	40.00	142,068	(83,558)	(33,423)	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	361,596	3,629	515	Investee accounted for using the equity method
	Shung Ye Motor (Notes 1 and 3)	Taipei, Taiwan	Sales and providing of after-sales service of vehicle	587,791	391,142	49,332,552	39.99	(12,657)	(1,604,379)	(641,471)	Investee accounted for using the equity method
	China Engine (Note 6)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	625,978	625,978	87,999,000	52.10	374,431	(122,669)	(63,553)	Subsidiary
	Uni-Calsonic	Miaoli, Taiwan	Manufacture and sale of automobile parts	105,806	105,806	6,083,525	31.20	147,920	28,092	8,769	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	87,335	(86,639)	(13,061)	Investee accounted for using the equity method
Kian Shen	Tai-Ya Investment	Hong Kong	Investment	81,005	81,005	2,288,459	29.60	74,063	14,196	4,202	Investee accounted for using the equity method
	Hwa Chung Motors (Notes 5 and 6)	Taoyuan, Taiwan	Manufacture and sale of vehicles	-	328,900	-	-	-	77	77	Subsidiary
Kian Shen	Kian Shen Investment (Note 6)	British Virgin Islands	Investment	328,888	328,888	10,296,105	100.00	4,247,906	287,969	-	Subsidiary
Kian Shen Investment	KSIHK (Note 6)	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907,000	100.00	RMB 926,114 thousand	RMB 48,228 thousand	-	Subsidiary
Alliance Investment & Management	Greentrans Investment (Note 6)	Samoa	Investment	344,369	344,369	11,200,000	100.00	215,709	1,515	-	Subsidiary
Sino Diamond Motors	Hua-Yu (Note 6)	Samoa	Overseas investment on production and service industries	1,066,529	1,489,334	23,632,942	100.00	554,814	82,973	-	Subsidiary
	China Engine (Note 6)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	11,000	11,000	1,000	-	5	(122,669)	-	Subsidiary
	Brilliant Insight International (Note 6)	Taoyuan, Taiwan	Consulting and service	22,000	22,000	2,200,000	100.00	22,840	160	-	Subsidiary
	Shung Ye Motor (Note 2)	Taipei, Taiwan	Sales and providing of after-sales service of vehicle	180	180	12,368	0.01	9	(1,604,379)	-	Investee accounted for using the equity method
	Fortune Motors	Taipei, Taiwan	Sales and providing of after-sales service of vehicle	24	24	1,000	-	20	76,299	-	Investee accounted for using the equity method
	Loopplus Service Technology Inc.	Hsinchu, Taiwan	Information software service and rental industry	34,984	31,984	2,249,000	44.98	24,338	(17,097)	-	Investee accounted for using the equity method

(Continued)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Sino Diamond Motors	Ling Wei (Notes 6)	Taipei, Taiwan	Sales of second-hand vehicle	\$ 68,780	\$ 68,780	6,308,397	100.00	\$ 65,569	\$ 1,328	\$ -	Subsidiary
	Greentrans (Notes 6)	Taipei, Taiwan	Sales of motorcycle and parts	18,561	8,561	2,000,000	100.00	20,369	(53)	-	Subsidiary
	MG Motor (Notes 6)	Taipei, Taiwan	Sales of vehicle	250,000	-	25,000,000	100.00	229,372	(20,628)	-	Subsidiary
Hua-Yu	Hwa-Lin (Note 6)	British Virgin Islands	Overseas investment on production and service industries	US\$ 23,919 thousand	US\$ 37,229 thousand	33,392,942	100.00	464,338	80,411	-	Subsidiary
Brilliant Insight International	Looplus Service Technology Inc.	Hsinchu, Taiwan	Information software service and rental industry	16	16	1,000	0.02	11	(17,097)	-	Investee accounted for using the equity method
CMI	Hwa Wei (Note 6)	British Virgin Islands	Overseas investment on production and service industries	1,428,503	1,428,503	60,000	60.00	213,102	(83,558)	-	Subsidiary
COC	Y. M. Hi-Tech (Note 6)	Taoyuan, Taiwan	Steel cutting	46,250	46,250	4,250,000	85.00	83,464	16,388	-	Subsidiary

Note 1: During preparation of the consolidated financial statements, loss on disposal of \$22,538 thousand from intra-group transaction had been eliminated.

Note 2: During preparation of the consolidated financial statements, gain on disposal of \$31 thousand from intra-group transaction had been eliminated.

Note 3: During preparation of the consolidated financial statements, sidestream transaction between subsidiary and investee accounted for using the equity method. of \$3,126 thousand had been eliminated.

Note 4: During preparation of the consolidated financial statements, sidestream transaction between subsidiary and investee accounted for using the equity method. of \$4,941 thousand had been eliminated.

Note 5: In December 2021, Hwa Chung Motors resolved to dissolve its company, and the annulment was completed in July 2022.

Note 6: 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, 2022
(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, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (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, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 1)
					Outward	Inward						
South East (Fujian) Motor	Manufacture and sales of industrial automation products	\$ 10,849,980 (US\$ 138,000 thousand and RMB 1,500,000 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 1,059,495 (US\$ 34,500 thousand)	\$ -	\$ -	\$ 1,059,495 (US\$ 34,500 thousand)	\$ (2,116,805)	3.70	\$ (129,860)	\$ 187,394	\$ 799,166 (US\$ 26,023 thousand)
China Engine (Fujian)	Manufacture and sales of engines and engine parts	460,650 (US\$ 15,000 thousand)	Indirect investment in mainland China through a company registered in a third region	230,325 (US\$ 7,500 thousand)	-	-	230,325 (US\$ 7,500 thousand)	23,445	38.03	11,723	180,725	-
Fujian Benz Automotive	Sales of industrial automation products	9,390,640 (EUR 287,000 thousand)	Indirect investment in mainland China through a company registered in a third region	1,523,640 (EUR 46,566 thousand)	-	-	1,523,640 (EUR 46,566 thousand)	8,052,715 (EUR 256,783 thousand)	16.23	1,306,552 (EUR 41,663 thousand)	3,786,784 (EUR 115,733 thousand)	2,991,459 (EUR 91,426 thousand)
Guangzhou NTN-YULON Drivertrain	Sales and manufacture of vehicles' components	383,875 (US\$ 12,500 thousand)	Indirect investment in mainland China through a company registered in a third region	153,550 (US\$ 5,000 thousand)	-	-	153,550 (US\$ 5,000 thousand)	400,730 (RMB 90,622 thousand)	17.55	160,292 (RMB 36,249 thousand)	1,415,798 (RMB 321,188 thousand)	1,164,946 (RMB 264,280 thousand)
Fuzhou Fushiang Motor Industrial	Sales and manufacture of vehicles' components	546,024 (US\$ 17,780 thousand)	Indirect investment in mainland China through a company registered in a third region	87,063 (US\$ 2,835 thousand)	-	-	87,063 (US\$ 2,835 thousand)	18,385 (RMB 4,158 thousand)	15.35	6,437 (RMB 1,456 thousand)	369,516 (RMB 83,829 thousand)	218,434 (RMB 49,554 thousand)
Xiangyang NTN-YULON Drivertrain	Sales and manufacture of vehicles' components	1,044,140 (US\$ 34,000 thousand)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	295,033 (RMB 66,719 thousand)	17.55	118,013 (RMB 26,688 thousand)	979,939 (RMB 222,309 thousand)	37,909 (RMB 8,600 thousand)
Xiamen King-Long Kian-Shen Frame	Sales and manufacture of vehicles' components	423,168 (RMB 96,000 thousand)	Indirect investment in mainland China through a company registered in a third region	46,894 (US\$ 1,527 thousand)	-	-	46,894 (US\$ 1,527 thousand)	(20,392) (RMB 4,612 thousand)	21.94	(10,196) (RMB 2,306 thousand)	185,006 (RMB 41,971 thousand)	-
Jiangsu Greentrans Automotive Parts (Note 6)	Manufacture and sales of parts of electronic motorcycles	343,952 (US\$ 11,200 thousand)	Indirect investment in mainland China through a company registered in a third region	343,952 (US\$ 11,200 thousand)	-	-	343,952 (US\$ 11,200 thousand)	1,514	100.00	1,514	215,695	-
Fujian Spicer	Manufacture of vehicles' key components, drive axle assembly and engine parts series products	902,785 (RMB 204,806 thousand)	Direct investment in mainland China	331,822 (US\$ 10,805 thousand)	-	-	331,822 (US\$ 10,805 thousand)	293,985	29.00	85,256	419,019	252,508 (RMB 57,284 thousand)
Shenyang Spicer	Manufacture and sale of automobile transmission, mechanical transmission, shafts and components	378,766 (RMB 85,927 thousand)	Indirect investment in mainland China through a company registered in a third region	81,811 (US\$ 2,664 thousand)	-	-	81,811 (US\$ 2,664 thousand)	24,528 (US\$ 823 thousand)	20.67	5,071 (US\$ 170 thousand)	76,816 (US\$ 2,501 thousand)	-

(Continued)

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, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (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, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 1)
					Outward	Inward						
Fujian Rui Hua (Note 6)	Consultation and services	\$ 104,414 (US\$ 3,400 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 104,414 (US\$ 3,400 thousand)	\$ -	\$ -	\$ 104,414 (US\$ 3,400 thousand)	\$ 2,558	100.00	\$ 2,558	\$ 90,436	\$ -
Tianjin Hwarui (Notes 5 and 6)	Sales and maintenance of vehicle and parts	-	Indirect investment in mainland China through a company registered in a third region	238,340 (US\$ 7,761 thousand)	-	-	238,340 (US\$ 7,761 thousand)	18,789	-	18,789	-	-
Dongguan Huayi (Notes 4 and 6)	Sales and maintenance of vehicle and parts	-	Indirect investment in mainland China through a company registered in a third region	129,504 (US\$ 4,217 thousand)	-	-	129,504 (US\$ 4,217 thousand)	7,566	-	7,566	-	-
Dongguan Huashun (Notes 4 and 6)	Sales of vehicle and parts	-	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	-	-	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$5,288,563 (US\$122,596 thousand and EUR46,566 thousand)	\$6,014,935 (US\$181,514 thousand and EUR13,467 thousand)	\$19,397,318

Note 1: Converted at the exchange rates on December 31, 2022: US\$1=NT\$30.71, RMB1=NT\$4.408, EUR1=NT\$32.72.

Note 2: Converted at the average exchange rates of the year ended December 31, 2022: US\$1=NT\$29.805, RMB1=NT\$4.422, EUR1=NT\$31.36.

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: In December 2020, Dongguan Huashun and Dongguan Huayi resolved to dissolve their respective companies, and the annulment was completed in February and June 2022, respectively.

Note 5: In July 2021, Tianjin Hwarui resolved to dissolve its company, and the annulment was completed in August 2022.

Note 6: 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, 2022
(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	MG Motor	Subsidiary	Sales revenue	\$ 1,018,796	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties.	3.45
				Accounts receivable	297,656	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.61
		Sino Diamond Motors	Subsidiary	Other operating revenue	168,936	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.57
				Prepayments	166,991	The prices and payment terms were based on agreements.	0.34
				Sales revenue	165,076	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	616,662	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	2.09
				Accounts payable	126,328	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.26
		COC	Subsidiary	Cost of goods sold	296,681	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	1.00
		Greentrans	Subsidiary	Sales revenue	149,109	Transaction price was determined based on the market price, and the transaction terms are similar to that for transactions with non-related parties	0.50

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, 2022**

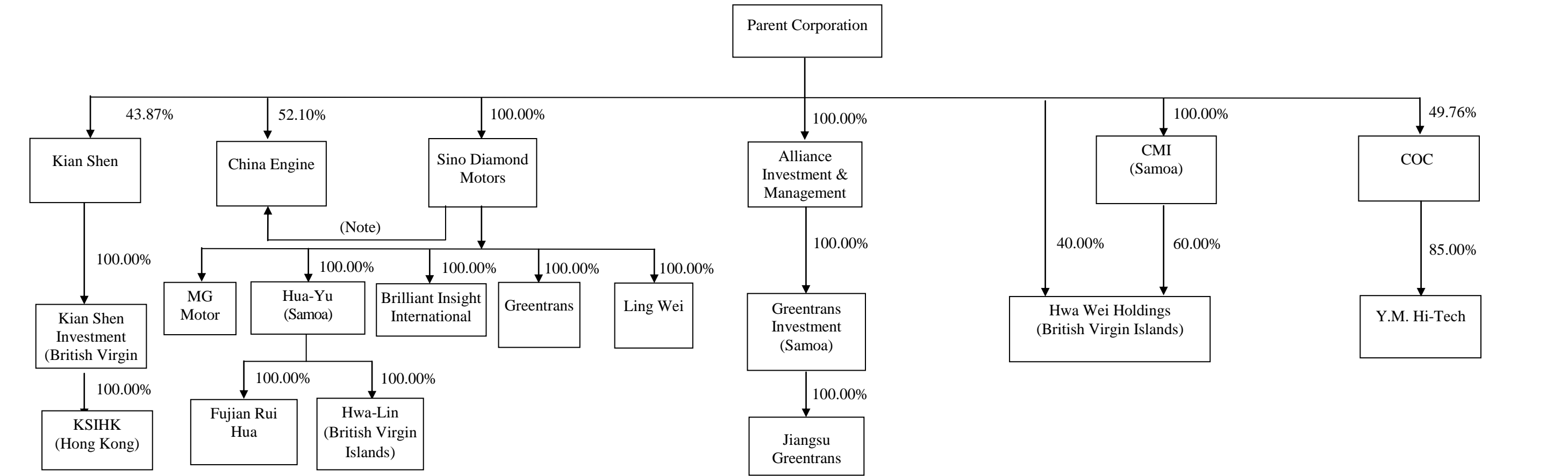
Name of Major Shareholder	Shares	
	Number of Shares	Ownership Percentage (%)
Tai Yuen Textile., Ltd.	139,435,815	25.19
Mitsubishi Motors Corp.	77,507,309	14.00
Yulon Motor Co., Ltd.	44,592,177	8.05
Diamond Hosiery & Thread Co., Ltd.	37,438,652	6.76

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 preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation 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, 2022**



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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 is stated as follows:

Revenue Recognition of Domestic Sales of Four-wheeled Vehicles from Major Customers

The revenue of the Corporation from domestic sales of four-wheeled vehicles is material to its financial statements, and the sales are concentrated among major customers. Therefore, we

identified the occurrence of revenue recognition from domestic sales of four-wheeled vehicles from major customers as a key audit matter.

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

- We discussed with management to obtain an understanding of the accounting policy for recognizing revenue coming from domestic sales of four-wheeled vehicles from major customers 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 from major customers was recognized when the control of the goods has been transferred to the customer and the performance obligations have been satisfied.

Other Matter

The financial statements of Mercedes-Benz Vans Hong Kong Ltd. as of and for the year ended December 31, 2022, which were accounted for using the equity method as investment of the Group, as well as the financial statements of Mercedes-Benz Vans Hong Kong Ltd., Shung Ye Motors Corporation and Uni Auto Parts Manufacture Co., Ltd., as of and for the year ended December 31, 2021, were audited by other auditors. 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\$3,787,680 thousand, representing 9.0% and NT\$4,292,241 thousand, representing 8.8% of the Corporation's total assets as of December 31, 2022 and 2021, respectively. The Corporation's share of comprehensive income of the aforementioned investments accounted for using the equity method amounted to NT\$1,411,629 thousand and NT\$1,287,532 thousand for the years ended December 31, 2022 and 2021, respectively, which accounted for 19.5%, and 29.4% 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 Standards on Auditing of 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 Standards on Auditing of 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 and 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.

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, 2022 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, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHINA MOTOR CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,462,371	11	\$ 7,269,006	15
Financial assets at fair value through profit or loss (Notes 4 and 7)	62,902	-	81,072	-
Current financial assets at amortized cost (Notes 4, 9, 10 and 28)	185,650	-	206,635	1
Financial assets for hedging (Notes 4 and 11)	172,548	-	59,612	-
Notes and accounts receivable, net (Notes 4, 12 and 21)	607,954	1	378,396	1
Trade receivables from related parties (Notes 4, 21 and 27)	1,554,273	4	1,365,379	3
Other receivables (Notes 4 and 27)	3,848	-	635,583	1
Inventories (Notes 4 and 13)	3,278,980	8	3,076,385	6
Prepayments (Note 27)	1,356,592	3	632,872	1
Other current assets (Notes 4 and 23)	195,913	1	236,824	1
Total current assets	11,881,031	28	13,941,764	29
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	603,474	2	605,042	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	15,038	-	29,024	-
Financial assets at amortized cost (Notes 4, 9 and 10)	281,276	1	540,096	1
Investments accounted for using the equity method (Notes 4 and 14)	23,671,805	56	27,733,347	57
Property, plant and equipment (Notes 4, 15 and 27)	3,976,007	9	3,958,483	8
Investment properties (Notes 4 and 17)	867,178	2	876,068	2
Intangible assets under development (Note 4)	540,941	1	438,039	1
Deferred tax assets (Notes 4 and 23)	290,384	1	301,983	1
Other non-current assets (Notes 4, 16 and 27)	175,974	-	109,724	-
Total non-current assets	30,422,077	72	34,591,806	71
TOTAL	\$ 42,303,108	100	\$ 48,533,570	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 1,952,782	5	\$ 1,561,629	3
Trade payables to related parties (Note 27)	799,373	2	719,177	2
Other payables (Notes 15 and 18)	2,320,352	5	2,073,337	4
Current tax liabilities (Notes 4 and 23)	337,523	1	358,283	1
Other current liabilities (Notes 4, 7, 11, 16, 21 and 27)	285,174	1	169,756	-
Total current liabilities	5,695,204	14	4,882,182	10
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	397,049	1	339,509	1
Net defined benefit liabilities (Notes 4 and 19)	150,872	-	601,319	1
Credit balance of investments accounted for using the equity method (Notes 4 and 14)	3,693,256	9	-	-
Other non-current liabilities (Notes 4, 16 and 27)	37,863	-	38,430	-
Total non-current liabilities	4,279,040	10	979,258	2
Total liabilities	9,974,244	24	5,861,440	12
EQUITY (Notes 4, 8, 11 and 20)				
Ordinary shares	5,536,203	13	5,536,203	12
Capital surplus	6,638,276	16	6,421,515	13
Retained earnings				
Legal reserve	10,004,698	24	9,581,001	20
Special reserve	1,025,833	2	1,028,359	2
Unappropriated earnings	9,519,133	22	20,582,748	42
Total retained earnings	20,549,664	48	31,192,108	64
Other equity				
Exchange differences on translating the financial statements of foreign operations	(555,831)	(1)	(826,741)	(2)
Unrealized valuation gain on investments in financial assets at fair value through other comprehensive income	135,015	-	377,436	1
Gain (loss) on hedging instruments	25,537	-	(28,391)	-
Total other equity	(395,279)	(1)	(477,696)	(1)
Total equity	32,328,864	76	42,672,130	88
TOTAL	\$ 42,303,108	100	\$ 48,533,570	100

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

CHINA MOTOR CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)				
Net sales	\$ 25,656,796	98	\$ 27,196,522	99
Other operating revenue	<u>401,784</u>	<u>2</u>	<u>408,679</u>	<u>1</u>
Total operating revenue	<u>26,058,580</u>	<u>100</u>	<u>27,605,201</u>	<u>100</u>
OPERATING COSTS (Notes 13, 22 and 27)				
Cost of goods sold	21,577,508	83	23,094,901	84
Other operating costs	<u>143,639</u>	<u>-</u>	<u>174,959</u>	<u>-</u>
Total operating costs	<u>21,721,147</u>	<u>83</u>	<u>23,269,860</u>	<u>84</u>
GROSS PROFIT	4,337,433	17	4,335,341	16
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(426)</u>	<u>-</u>	<u>(640)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,337,007</u>	<u>17</u>	<u>4,334,701</u>	<u>16</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	204,904	1	365,701	1
General and administrative expenses	688,360	3	704,172	3
Research and development expenses	<u>1,558,703</u>	<u>6</u>	<u>1,390,782</u>	<u>5</u>
Total operating expenses	<u>2,451,967</u>	<u>10</u>	<u>2,460,655</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>1,885,040</u>	<u>7</u>	<u>1,874,046</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries, associates and joint ventures (Notes 4 and 14)	(9,433,297)	(36)	2,884,019	10
Interest income (Notes 4 and 27)	62,005	-	53,272	-
Other income (Notes 4 and 27)	135,089	1	75,167	-
Gain (loss) on financial instruments at fair value through profit or loss (Note 4)	13,843	-	(4,750)	-
Net foreign exchange gain (loss)	(18,565)	-	18,787	-
Expected credit gain (loss) (Notes 4 and 10)	80	-	(188)	-
Other expense (Notes 4 and 27)	(2,465)	-	(4,395)	-
Impairment loss (Notes 4 and 15)	<u>(526)</u>	<u>-</u>	<u>(147,123)</u>	<u>-</u>
Total non-operating income and expenses	<u>(9,243,836)</u>	<u>(35)</u>	<u>2,874,789</u>	<u>10</u>

(Continued)

CHINA MOTOR CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
PROFIT (LOSS) BEFORE INCOME TAX	\$ (7,358,796)	(28)	\$ 4,748,835	17
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(399,000)</u>	<u>(2)</u>	<u>(567,000)</u>	<u>(2)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(7,757,796)</u>	<u>(30)</u>	<u>4,181,835</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	234,860	1	(51,163)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 20)	(4,108)	-	3,852	-
Gain (loss) on the hedging instruments (Notes 11 and 20)	17,146	-	(29,000)	-
Share of other comprehensive income of subsidiaries and associates for using the equity method (Notes 14 and 20)	47,521	-	161,883	1
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	(50,401)	-	16,033	-
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>270,910</u>	<u>1</u>	<u>99,920</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>515,928</u>	<u>2</u>	<u>201,525</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (7,241,868)</u>	<u>(28)</u>	<u>\$ 4,383,360</u>	<u>16</u>
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ (14.22)</u>		<u>\$ 7.67</u>	
Diluted	<u>\$ (14.22)</u>		<u>\$ 7.66</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

CHINA MOTOR CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on the Hedging Instruments	
BALANCE AT JANUARY 1, 2021	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										
Legal reserve	-	-	-	323,844	-	(323,844)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,875,342)	-	-	-	(3,875,342)
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 (loss) 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
Appropriation of the 2021 earnings										
Legal reserve	-	-	-	423,697	-	(423,697)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,044,912)	-	-	-	(3,044,912)
Reversal of special reserve	-	-	-	-	(2,526)	2,526	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	216,761	-	-	(276,529)	-	-	-	(59,768)
Net loss for the year ended December 31, 2022	-	-	-	-	-	(7,757,796)	-	-	-	(7,757,796)
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	323,996	270,910	(129,624)	50,646	515,928
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	(7,433,800)	270,910	(129,624)	50,646	(7,241,868)
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	85,076	-	(85,076)	-	-
Disposal of the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	27,721	-	(27,721)	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	3,282	3,282
BALANCE AT DECEMBER 31, 2022	553,620	\$ 5,536,203	\$ 6,638,276	\$ 10,004,698	\$ 1,025,833	\$ 9,519,133	\$ (555,831)	\$ 135,015	\$ 25,537	\$ 32,328,864

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

(With Deloitte & Touche auditors’ report dated March 30, 2023)

CHINA MOTOR CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (7,358,796)	\$ 4,748,835
Adjustments for:		
Depreciation expense	540,986	641,287
Amortization expense	94,682	79,717
Expected credit loss (gain) recognized	2,256	(1,811)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	(13,843)	4,750
Interest expense	176	146
Interest income	(62,005)	(53,272)
Dividend income	(58,841)	(36,482)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	9,433,297	(2,884,019)
Net loss (gain) on disposal of property, plant and equipment	(35,768)	2,100
Impairment loss (gain on reversal) of non-financial assets	(51,657)	219,289
Unrealized gain on the transactions with associates	426	640
Unrealized loss (gain) on foreign currency exchange	18,624	(17,791)
Loss on lease modifications	50	-
Losses on recognition of provisions	-	65,302
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	41,590	1,045,516
Notes and accounts receivable	(233,576)	79,857
Trade receivables from related parties	(188,900)	(224,824)
Other receivables	96	469
Inventories	(183,684)	(118,356)
Prepayments	(723,720)	986,891
Other current assets	(30,270)	146,746
Accounts payable	389,261	(531,560)
Trade payables to related parties	74,863	(198,473)
Other payables	283,125	68,654
Other current liabilities	108,170	(151,521)
Net defined benefit liabilities	(215,587)	(2,963)
Cash generated from operations	1,830,955	3,869,127
Income tax paid	(329,525)	(395,600)
Net cash generated from operating activities	<u>1,501,430</u>	<u>3,473,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(371,455)	(1,246,778)
Proceeds from repayment of principal of financial assets at amortized cost	649,913	1,172,399
Acquisition of investments accounted for using the equity method	(4,434,749)	(1,500)
Proceeds from refund of the capital reduction of investments accounted for using the equity method	961,693	-

(Continued)

CHINA MOTOR CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Disposal of financial assets at fair value through other comprehensive income	\$ 9,878	\$ 18,368
Acquisition of property, plant and equipment	(598,271)	(585,004)
Proceeds from disposal of property, plant and equipment	48,951	32,203
Acquisition of investment properties	-	(724)
Decrease in other receivables from related parties	600,163	-
Acquisition of intangible assets	(148,712)	(109,106)
Increase in other non-current assets	(115,845)	(76,689)
Interest received	66,463	55,456
Dividends received	<u>2,143,209</u>	<u>1,658,567</u>
Net cash generated from (used in) investing activities	<u>(1,188,762)</u>	<u>917,192</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(4,271)	(3,667)
Increase (decrease) in other non-current liabilities	166	(5,464)
Cash dividends paid	(3,044,912)	(3,875,342)
Interest paid	<u>(176)</u>	<u>(146)</u>
Net cash used in financing activities	<u>(3,049,193)</u>	<u>(3,884,619)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,736,525)	506,100
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,328,085</u>	<u>6,821,985</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,591,560</u>	<u>\$ 7,328,085</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2022 and 2021:

	December 31	
	2022	2021
Cash and cash equivalents in the balance sheets	\$ 4,462,371	\$ 7,269,006
Cash and cash equivalents included in financial assets for hedging	<u>129,189</u>	<u>59,079</u>
Cash and cash equivalents in the statements of cash flows	<u>\$ 4,591,560</u>	<u>\$ 7,328,085</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2023)

(Concluded)

CHINA MOTOR CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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’s shares have 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 14, 2023.

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 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are 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 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. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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”).

- 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.

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.

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.

When a reciprocal relationship exists between the Corporation and its investee, each holds an equity method investment interest in each other's shares, and the Corporation chooses to apply the treasury shares method to calculate its shares in the associate's profit or loss.

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.

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.

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 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, 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.

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) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

3) 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 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.

4) 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.

l. 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.

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. In assessing whether a contract is onerous, before 2022, the cost of fulfilling a contract only includes the incremental costs of fulfilling that contract; however, starting from 2022, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

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.

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.

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.

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

	December 31	
	2022	2021
Cash		
Cash on hand	\$ 650	\$ 650
Checking accounts and demand deposits	<u>1,268,998</u>	<u>1,828,456</u>
	<u>1,269,648</u>	<u>1,829,106</u>
Cash equivalents		
Time deposits	1,743,300	4,739,900
Repurchase agreements	<u>1,449,423</u>	<u>700,000</u>
	<u>3,192,723</u>	<u>5,439,900</u>
	<u>\$ 4,462,371</u>	<u>\$ 7,269,006</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 market interest rate intervals of cash in banks and repurchase agreements at the end of the year were as follows:

	December 31	
	2022	2021
Demand deposits	0.05%-1.05%	0.001%-1.00%
Time deposits	0.60%-1.26%	0.26%-0.82%
Repurchase agreements	0.87%	0.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 50,271	\$ 80,459
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>12,631</u>	<u>613</u>
	<u>\$ 62,902</u>	<u>\$ 81,072</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 603,474</u>	<u>\$ 605,042</u>
<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	<u>\$ 8,985</u>	<u>\$ 976</u>

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

December 31, 2022

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	JPY/NTD	2023.02.15-2023.03.24	JPY290,000/NTD66,867
Buy	USD/NTD	2023.01.06-2023.03.20	USD11,500/NTD361,178
Sell	RMB/USD	2023.01.06-2023.03.20	RMB72,091/USD10,000

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

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

	December 31	
	2022	2021
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 1,354	\$ 15,798
Domestic unlisted shares	<u>13,684</u>	<u>13,226</u>
	<u>\$ 15,038</u>	<u>\$ 29,024</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.

During the years ended December 31, 2022 and 2021, the Corporation sold a portion of its listed shares which had a fair value of \$9,878 thousand and \$18,368 thousand, respectively. The related unrealized valuation gains of \$27,721 thousand and 36,212 thousand were transferred from other equity to retained earnings.

Dividends of \$283 thousand and \$446 thousand were recognized during 2022 and 2021, respectively. Those dividends are all related to investments held at the end of the reporting period.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Pledged deposits (Note 28)	\$ 163,676	\$ 163,321
Principal guaranteed notes	<u>22,040</u>	<u>43,440</u>
	185,716	206,761
Less: Allowance for impairment loss	<u>(66)</u>	<u>(126)</u>
	<u>\$ 185,650</u>	<u>\$ 206,635</u>
<u>Non-current</u>		
Segregated foreign exchange deposit account for offshore funds	\$ 81,560	\$ 340,390
Bonds	<u>200,016</u>	<u>200,026</u>
	281,576	540,416
Less: Allowance for impairment loss	<u>(300)</u>	<u>(320)</u>
	<u>\$ 281,276</u>	<u>\$ 540,096</u>

- a. The rates of pledged deposits ranged from 1.03%-1.315% and 0.78%-0.815% per annum as of December 31, 2022 and 2021, respectively.

- b. The coupon rates of principal guaranteed notes ranged from 2.60% and 2.50%-2.60% per annum as of December 31, 2022 and 2021, 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” during 2020 and 2021. The funds after tax were deposited into the segregated foreign exchange deposit account (including 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 0.05%-0.455% and 0.001%-2.50% per annum as of December 31, 2022 and 2021, respectively.
- d. The coupon rates of bonds ranged from 0.47%-0.86% per annum as of December 31, 2022 and 2021.
- 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.

	December 31	
	2022	2021
Gross carrying amount	\$ 467,292	\$ 747,177
Less: Allowance for impairment loss	<u>(366)</u>	<u>(446)</u>
Amortized cost	<u>\$ 466,926</u>	<u>\$ 746,731</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:

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

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

December 31, 2022

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.00%-0.30%	\$ 467,292

December 31, 2021

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0.00%-0.29%	\$ 747,177

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)
Balance at January 1, 2022	\$ 446
Financial assets purchased (a)	623
Derecognition (b)	(682)
Change in exchange rates or others	<u>(21)</u>
Balance at December 31, 2022	<u>\$ 366</u>
Balance at January 1, 2021	\$ 258
Financial assets purchased (a)	865
Derecognition (b)	(697)
Change in exchange rates or others	<u>20</u>
Balance at December 31, 2021	<u>\$ 446</u>

- a. The new investment in principal guaranteed notes of \$207,779 thousand during the year ended December 31, 2022, and correspondingly increased the loss allowance for investments related as performing of \$623 thousand; 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.
- b. The investments in principal guaranteed notes of \$228,939 thousand and \$219,180 thousand expired and were redeemed during the years ended December 31, 2022 and 2021, respectively, with consequential reductions in the loss allowance for investments rated as performing of \$682 thousand and \$697 thousand, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2022	2021
Cash flow hedges - spot rate	\$ 129,189	\$ 59,079
Cash flow hedges - foreign exchange forward contracts	<u>43,359</u>	<u>533</u>
	<u>\$ 172,548</u>	<u>\$ 59,612</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Cash flow hedges - foreign exchange forward contracts	<u>\$ 33,482</u>	<u>\$ 2,532</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, 2022 and 2021, 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, 2022

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	JPY148,436/NTD32,705	2023.01.13-2023.03.19	0.2185-0.2229	Financial assets for hedging	\$ 34,497	\$ -	\$ 1,433
Forecast purchases - spot rate	RMB/NTD	RMB21,482/NTD95,025	2023.02.22	4.4236	Financial assets for hedging	94,692	-	(266)
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY465,000/NTD107,411	2023.01.13-2023.03.15	0.2307-0.2313	Financial assets for hedging	872	-	697
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB263,454/USD36,550	2023.01.06-2023.03.20	7.1968-7.2213 (USD1:RMB)	Financial assets for hedging	42,487	-	33,990
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD36,550/NTD1,152,974	2023.01.06-2023.03.20	31.3850-31.8080 (USD1:NTD)	Other current liabilities	-	(33,482)	(26,786)
						<u>\$ 172,548</u>	<u>\$ (33,482)</u>	<u>\$ 9,068</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>\$ (9,068)</u>	<u>\$ 9,068</u>

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 (USD1:RMB)	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>

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	\$ 3,384	\$ (3,384)
	Hedging Gains (Losses) Recognized in OCI	
	For the Year Ended December 31	
	2022	2021
Cash flow hedges		
Forecast purchases	\$ 17,146	\$ (29,000)

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.

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2022	2021
At amortized cost		
Notes and accounts receivable	\$ 614,114	\$ 382,220
Less: Allowance for impairment loss	<u>(6,160)</u>	<u>(3,824)</u>
	\$ 607,954	\$ 378,396

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	
	2022	2021
Not past due	\$ 607,655	\$ 380,377
1-60 days past due	<u>6,459</u>	<u>1,843</u>
Gross carrying amount	614,114	382,220
Loss allowance (Lifetime ECLs)	<u>(6,160)</u>	<u>(3,824)</u>
Amortized cost	<u>\$ 607,954</u>	<u>\$ 378,396</u>

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

	2022	2021
Balance at January 1	\$ 3,824	\$ 5,823
Add: Net remeasurement of loss allowance	2,336	-
Less: Net reversal of loss allowance	<u>-</u>	<u>(1,999)</u>
Balance at December 31	<u>\$ 6,160</u>	<u>\$ 3,824</u>

13. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 1,148,472	\$ 1,088,770
Work in progress	88,511	9,197
Raw materials	1,931,703	1,914,092
Materials in transit	<u>110,294</u>	<u>64,326</u>
	<u>\$ 3,278,980</u>	<u>\$ 3,076,385</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$21,577,508 thousand and \$23,094,901 thousand, respectively. The cost of goods sold for the year ended December 31, 2021 included inventory write-down of \$72,166 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 5,939,297	\$ 6,663,246
Investments in associates	13,944,828	17,568,668
Investments in joint ventures	<u>3,787,680</u>	<u>3,501,433</u>
	<u>\$ 23,671,805</u>	<u>\$ 27,733,347</u>

Credit balance of long-term equity investment

Investments in associates	\$ (3,693,256)	\$ -
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a. Investments in subsidiaries

Name of Subsidiaries	December 31	
	2022	2021
Listed companies		
Kian Shen	\$ 2,270,737	\$ 2,191,603
Unlisted companies		
Sino Diamond Motors	1,622,460	1,430,589
COC Tooling & Stamping	843,670	822,785
Alliance Investment & Management	470,585	1,284,812
China Engine	374,431	437,354
China Motor Investment	215,346	249,510
Hwa Wei Holdings	142,068	164,977
Hwa Chung Motors	-	81,616
	<u>3,668,560</u>	<u>4,471,643</u>
	<u>\$ 5,939,297</u>	<u>\$ 6,663,246</u>

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	2022	2021
Listed company		
Kian Shen	43.87%	43.87%
Unlisted companies		
Sino Diamond Motors	100.00%	100.00%
COC Tooling & Stamping	49.76%	49.76%
Alliance Investment & Management	100.00%	100.00%
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%

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.

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.

In December 2021, Hwa Chung Motors resolved to dissolve its company and the annulment was completed in July 2022.

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

Associates	December 31	
	2022	2021
Material associates		
Yulon	\$ 7,513,836	\$ 8,188,389
Associates that are not individually material	<u>2,737,736</u>	<u>9,380,279</u>
	<u>\$ 10,251,572</u>	<u>\$ 17,568,668</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, 2022 and 2021.

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.

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

Name of Associate	December 31	
	2022	2021
Yulon	<u>\$ 10,336,295</u>	<u>\$ 6,985,335</u>

The above associate is accounted for using the equity method.

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

	December 31	
	2022	2021
Current assets	\$ 270,783,114	\$ 234,854,492
Non-current assets	89,648,500	89,008,287
Current liabilities	(253,571,875)	(226,995,138)
Non-current liabilities	<u>(34,347,887)</u>	<u>(26,168,118)</u>
Equity	72,511,852	70,699,523
Non-controlling interests	<u>(24,380,919)</u>	<u>(18,047,660)</u>
	<u>\$ 48,130,933</u>	<u>\$ 52,651,863</u>
Proportion of the Corporation's ownership	16.80%	16.80%
Equity attributable to the Corporation	\$ 8,085,997	\$ 8,845,513
Cross shareholdings	<u>(572,161)</u>	<u>(657,124)</u>
Carrying amount	<u>\$ 7,513,836</u>	<u>\$ 8,188,389</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 77,079,263</u>	<u>\$ 78,047,772</u>
Net profit (loss) for the year	\$ (1,188,037)	\$ 7,742,315
Other comprehensive income	<u>719,534</u>	<u>149,839</u>
Total comprehensive income (loss) for the year	<u>\$ (468,503)</u>	<u>\$ 7,892,154</u>
Dividends received from Yulon	<u>\$ 250,072</u>	<u>\$ 166,714</u>

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Corporation's share of:		
Net profit (loss) for the year	\$ (10,293,222)	\$ 1,016,011
Other comprehensive income	<u>11,213</u>	<u>124,690</u>
Total comprehensive income (loss) for the year	<u>\$ (10,282,009)</u>	<u>\$ 1,140,701</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.

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 for the years ended December 31, 2022 and 2021 were based on the associates' financial statements which have been audited for the same years. Some of these associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 were based on the associates' unaudited financial statements. However, the management of the Corporation considers the unaudited financial statements mentioned above do not have material impact on the Corporation's consolidated financial statements.

Tokio Marine Nawa Insurance recognized the after-tax losses from pandemic insurance during the year ended December 31, 2022. After the Corporation recognized investment loss in the amount of \$9,819,419 thousand by the shareholding ratio, the balance of long-term equity investment was a negative amount of \$3,680,599 thousand. The Corporation reclassified the amount to credit balance of long-term equity investment.

In October and December 2022, the Corporation subscribed for a total additional amount of \$4,238,100 thousand of new shares in Tokio Marine Nawa Insurance without its existing ownership percentage, resulting in an increase of its continuing interest from 20.57% to 21.19%.

In March 2023, the Corporation resolved to increase the capital of Tokio Marine Nawa Insurance within an amount of \$1,930,000 thousand in the extraordinary shareholders' meeting.

In September 2022, the Corporation invested \$196,649 thousand in Shung Ye Motor based on the original shareholding ratio. Shung Ye Motor recognized an investment loss as a result of a negative balance of \$12,657 thousand in long-term equity investments. The Corporation reclassified the amount to credit balance of long-term equity investment.

c. Investments in joint ventures

	December 31	
	2022	2021
Joint ventures that are not individually material	<u>\$ 3,787,680</u>	<u>\$ 3,501,433</u>
Aggregate information of joint ventures that are not individually material:		
	For the Year Ended December 31	
	2022	2021
The Corporation's share of:		
Net profit for the year	\$ 1,297,629	\$ 1,232,861
Other comprehensive income	<u>114,000</u>	<u>18,598</u>
Total comprehensive income for the year	<u>\$ 1,411,629</u>	<u>\$ 1,251,459</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.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 665,075	\$ 97,963	\$ 3,197,880	\$ 20,261,878	\$ 1,009,184	\$ 501,533	\$ 25,733,513
Additions	-	577	453	38,488	13,149	506,471	559,138
Disposals	(2,222)	-	-	(312,066)	(48,976)	-	(363,264)
Reclassifications	-	5,340	294,529	48,501	(7,467)	(339,766)	1,137
Balance at December 31, 2022	<u>\$ 662,853</u>	<u>\$ 103,880</u>	<u>\$ 3,492,862</u>	<u>\$ 20,036,801</u>	<u>\$ 965,890</u>	<u>\$ 668,238</u>	<u>\$ 25,930,524</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022		\$ 89,105	\$ 2,922,183	\$ 18,006,023	\$ 757,719	\$ -	\$ 21,775,030
Disposals		-	-	(309,942)	(40,139)	-	(350,081)
Impairment losses		-	-	526	-	-	526
Depreciation expense		2,152	64,673	402,673	58,407	-	527,905
Reclassifications		-	193,199	(146,020)	(46,042)	-	1,137
Balance at December 31, 2022		<u>\$ 91,257</u>	<u>\$ 3,180,055</u>	<u>\$ 17,953,260</u>	<u>\$ 729,945</u>	<u>\$ -</u>	<u>\$ 21,954,517</u>
Carrying amounts at December 31, 2022	<u>\$ 662,853</u>	<u>\$ 12,623</u>	<u>\$ 312,807</u>	<u>\$ 2,083,541</u>	<u>\$ 235,945</u>	<u>\$ 668,238</u>	<u>\$ 3,976,007</u>
<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>

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

The Corporation had no future cash flow from the related equipment and recognized an impairment loss of \$526 thousand for the year ended December 31, 2022. 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%.

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

Acquisitions of property, plant and equipment included payables for equipment, and the related reconciliations were as follows:

	For the Year Ended December 31	
	2022	2021
Increase in property, plant and equipment	\$ 559,138	\$ 559,732
Decrease in equipment payables (included in other payables)	<u>39,133</u>	<u>25,272</u>
	<u>\$ 598,271</u>	<u>\$ 585,004</u>

16. LEASE ARRANGEMENTS

- a. Right-of-use assets (included in other non-current assets)

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 756	\$ 1,100
Buildings	1,329	975
Other equipment	<u>4,964</u>	<u>5,697</u>
	<u>\$ 7,049</u>	<u>\$ 7,772</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 5,828</u>	<u>\$ 7,804</u>
Depreciation charge for right-of-use assets		
Land	\$ 344	\$ 344
Buildings	1,479	1,566
Other equipment	<u>2,368</u>	<u>1,618</u>
	<u>\$ 4,191</u>	<u>\$ 3,528</u>

- b. Lease liabilities (included in other current liabilities and other non-current liabilities)

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 3,336</u>	<u>\$ 3,356</u>
Non-current	<u>\$ 3,528</u>	<u>\$ 4,261</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.37%	1.37%
Buildings	1.37%	1.37%
Other equipment	1.37%	1.37%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 3,547</u>	<u>\$ 2,826</u>
Expenses relating to low-value asset leases	<u>\$ 3,814</u>	<u>\$ 2,880</u>
Total cash outflow for leases	<u>\$ 11,752</u>	<u>\$ 9,459</u>

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 and December 31, 2022	<u>\$ 1,404,085</u>
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Accumulated depreciation and impairment

Balance at January 1, 2022	\$ 528,017
Depreciation expense	<u>8,890</u>

Balance at December 31, 2022	<u>\$ 536,907</u>
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Carrying amount at December 31, 2022	<u>\$ 867,178</u>
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Cost

Balance at January 1, 2021	\$ 1,403,361
Additions	<u>724</u>

Balance at December 31, 2021	<u>\$ 1,404,085</u>
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Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 516,776
Depreciation expense	<u>11,241</u>

Balance at December 31, 2021	<u>\$ 528,017</u>
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Carrying amount at December 31, 2021	<u>\$ 876,068</u>
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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.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	\$ 40,965	\$ 39,518
Year 2	32,967	28,647
Year 3	24,888	25,815
Year 4	7,247	25,815
Year 5	6,231	11,895
Later than 5 years	<u>57,701</u>	<u>123,789</u>
	<u>\$ 169,999</u>	<u>\$ 255,479</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 \$1,496,926 thousand and \$1,496,594 thousand as of December 31, 2022 and 2021, respectively. Investment properties as of December 31, 2022 and 2021 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

	December 31	
	2022	2021
Payables for salaries or bonuses	\$ 903,935	\$ 1,025,292
Payables for taxes	273,807	76,147
Payables for warranties	223,868	220,895
Provisions for development	169,742	115,411
Payables for equipment	149,974	189,110
Payables for employee benefits	128,892	131,452
Others	<u>470,134</u>	<u>315,030</u>
	<u>\$ 2,320,352</u>	<u>\$ 2,073,337</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.

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:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 1,805,649	\$ 2,009,474
Fair value of plan assets	<u>(1,654,777)</u>	<u>(1,408,155)</u>
Net defined benefit liabilities	<u>\$ 150,872</u>	<u>\$ 601,319</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 2,009,474</u>	<u>\$ (1,408,155)</u>	<u>\$ 601,319</u>
Service cost			
Past service cost	24,390	-	24,390
Current service cost	20,263	-	20,263
Net interest expense (income)	<u>9,595</u>	<u>(6,722)</u>	<u>2,873</u>
Recognized in profit or loss	<u>54,248</u>	<u>(6,722)</u>	<u>47,526</u>
Remeasurement			
Return on plan assets	-	(119,574)	(119,574)
Actuarial loss (gain)			
Changes in financial assumptions	(166,836)	-	(166,836)
Experience adjustments	<u>51,550</u>	<u>-</u>	<u>51,550</u>
Recognized in other comprehensive income	<u>(115,286)</u>	<u>(119,574)</u>	<u>(234,860)</u>
Contributions from the employer	-	(227,261)	(227,261)
Benefits paid	(106,935)	106,935	
Portion of benefits paid by the Corporation	<u>(35,852)</u>	<u>-</u>	<u>(35,852)</u>
Balance at December 31, 2022	<u>\$ 1,805,649</u>	<u>\$ (1,654,777)</u>	<u>\$ 150,872</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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> (Concluded)

The disbursement amounts of defined benefit plans of associates were \$216 and \$289 thousand in 2022 and 2021, 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:

	December 31	
	2022	2021
Discount rate	1.50%	0.50%
Expected rate of salary increase	1.25%	1.25%

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:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (38,453)</u>	<u>\$ (48,201)</u>
0.25% decrease	<u>\$ 39,705</u>	<u>\$ 49,887</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 39,016</u>	<u>\$ 48,596</u>
0.25% decrease	<u>\$ (37,968)</u>	<u>\$ (47,196)</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.

	December 31	
	2022	2021
Expected contributions to the plans for the next year	<u>\$ 17,480</u>	<u>\$ 228,354</u>
Average duration of the defined benefit obligation	9.2 years	10.1 years

20. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
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

	December 31	
	2022	2021
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

(Continued)

	December 31	
	2022	2021
<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>262,542</u>	<u>45,781</u>
	<u>\$ 6,638,276</u>	<u>\$ 6,421,515</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(d).

In June 2022, the shareholders resolved the amendment of the dividend policy as set forth in the Articles in their meeting. The Corporation amended the article from "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" to "undistributed retained earnings to be distributed in the form of cash shall be authorized and resolved by the Corporation's board of directors as the basis for proposing a distribution plan and reported in the shareholders' meeting according to the Company Act; if such retained earnings will be distributed in the form of new shares to be issued by the Corporation, the distribution should be resolved in the shareholders' meeting for distribution of earnings."

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.

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.

The appropriations of earnings for 2021 and 2020 which were approved in shareholders' meeting in June 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 423,697	\$ 323,844		
Cash dividends	3,044,912	3,875,342	<u>\$5.5</u>	<u>\$7.0</u>

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

The appropriations for cash dividends for 2022 were resolved by the Corporation's board of directors on March 14, 2023 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Cash dividends	<u>\$ 2,214,481</u>	<u>\$4.0</u>

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 1,028,359	\$ 1,028,359
Reversals		
Disposal of subsidiaries	<u>(2,526)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,025,833</u>	<u>\$ 1,028,359</u>

e. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (826,741)	\$ (926,661)
Share from subsidiaries, associates and joint ventures accounted for using the equity method	<u>270,910</u>	<u>99,920</u>
Balance at December 31	<u>\$ (555,831)</u>	<u>\$ (826,741)</u>

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 377,436	\$ 264,666
Recognized for the year		
Unrealized gain (loss) - equity instruments	(4,108)	3,852
Share from subsidiaries and associates accounted for using the equity method	<u>(125,516)</u>	<u>182,445</u>
Other comprehensive income recognized for the year	<u>(129,624)</u>	<u>186,297</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal by associates	(85,076)	(37,315)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(27,721)</u>	<u>(36,212)</u>
Balance at December 31	<u>\$ 135,015</u>	<u>\$ 377,436</u>

3) Cash flow hedge

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (28,391)	\$ 6,918
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	9,500	(3,963)
Foreign currency risk - spot rate	4,217	(19,237)
Share from subsidiaries and joint ventures accounted for using the equity method	<u>36,929</u>	<u>(32,990)</u>
Other comprehensive income (loss) recognized for the year	<u>50,646</u>	<u>(56,190)</u>
Transferred to initial carrying amount of hedged items	<u>3,282</u>	<u>20,881</u>
Balance at December 31	<u>\$ 25,537</u>	<u>\$ (28,391)</u>

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods		
Revenue from the sale of vehicles	\$ 21,672,206	\$ 23,050,952
Revenue from the sale of components	<u>3,984,590</u>	<u>4,145,570</u>
	25,656,796	27,196,522
Services revenue	314,222	328,101
Rental income	<u>87,562</u>	<u>80,578</u>
	<u>\$ 26,058,580</u>	<u>\$ 27,605,201</u>

Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (Note 12)	<u>\$ 607,954</u>	<u>\$ 378,396</u>	<u>\$ 456,134</u>
Trade receivables from related parties (Note 27)	<u>\$ 1,554,273</u>	<u>\$ 1,365,379</u>	<u>\$ 1,140,590</u>
Contract liabilities (included in other current liabilities)	<u>\$ 139,205</u>	<u>\$ 29,571</u>	<u>\$ 44,543</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations and the respective customer's payments.

The Corporation recognized revenue from the beginning of contract liability, which amounted to \$19,956 thousand and \$32,711 thousand for the years ended December 31, 2022 and 2021, respectively.

22. NET PROFIT (LOSS)

Net profit (loss) included the following:

a. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 426,401	\$ 543,354
Operating expenses	<u>114,585</u>	<u>97,933</u>
	<u>\$ 540,986</u>	<u>\$ 641,287</u>
An analysis of amortization by function		
Operating costs	\$ 3,251	\$ 759
Operating expenses	<u>45,621</u>	<u>34,194</u>
	<u>\$ 48,872</u>	<u>\$ 34,953</u>
An analysis of amortization in intangible assets by function		
Research and development expenses	<u>\$ 45,810</u>	<u>\$ 44,764</u>

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

	For the Year Ended December 31	
	2022	2021
Rental income from investment properties	<u>\$ 55,185</u>	<u>\$ 55,556</u>
Direct operating expenses of investment properties generating rental income	<u>\$ 11,954</u>	<u>\$ 13,942</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 2,314,497	\$ 2,463,197
Post-employment benefits		
Defined contribution plans	53,862	56,094
Defined benefit plans	<u>47,310</u>	<u>71,586</u>
	<u>\$ 2,415,669</u>	<u>\$ 2,590,877</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,132,987	\$ 1,229,221
Operating expenses	<u>1,282,682</u>	<u>1,361,656</u>
	<u>\$ 2,415,669</u>	<u>\$ 2,590,877</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 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.

Due to the net loss before income tax for the year ended December 31, 2022, the Corporation did not accrue employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2021, which was approved by the Corporation's board of directors in March 2022, is as follows:

Amount

	For the Year Ended December 31, 2021 Cash
Employees' compensation	\$ 46,959
Remuneration of directors	24,098

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, 2021 and 2020.

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.

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 373,213	\$ 340,188
Taxation for repatriated offshore funds	-	163,463
Tax refund for offshore funds	-	(6,681)
Adjustments for prior years	<u>6,733</u>	<u>10,881</u>
	<u>379,946</u>	<u>507,851</u>
Deferred tax		
In respect of the current year	37,669	59,380
Adjustments for prior years	<u>(18,615)</u>	<u>(231)</u>
	<u>19,054</u>	<u>59,149</u>
Income tax expense recognized in profit or loss	<u>\$ 399,000</u>	<u>\$ 567,000</u>

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

	For the Year Ended December 31	
	2022	2021
Profit (loss) before tax	<u>\$ (7,358,796)</u>	<u>\$ 4,748,835</u>
Income tax expense (benefit) calculated at the statutory rate	\$ (1,471,759)	\$ 949,767
Non-deductible expense	121,844	6,018
Tax-exempt income	2,347,675	(492,772)
Unrecognized deductible temporary differences	(586,878)	(3,445)
Taxation for repatriated offshore funds	-	163,463
Tax refund for offshore funds	-	(6,681)
Investment credits	-	(60,000)
Adjustments for prior years' tax	<u>(11,882)</u>	<u>10,650</u>
Income tax expense recognized in profit or loss	<u>\$ 399,000</u>	<u>\$ 567,000</u>

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%.

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

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ (46,972)	\$ 10,233
Cash flow hedges	<u>(3,429)</u>	<u>5,800</u>
Total income tax recognized in other comprehensive income (loss)	<u>\$ (50,401)</u>	<u>\$ 16,033</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 2,934</u>	<u>\$ 74,115</u>
Current tax liabilities		
Income tax payable	<u>\$ 337,523</u>	<u>\$ 358,283</u>

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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 96,057	\$ (38,962)	\$ (46,972)	\$ -	\$ 10,123
Other payables	70,470	82	-	-	70,552
Inventories	48,805	(10,436)	-	-	38,369
Others	<u>86,651</u>	<u>(5,585)</u>	<u>(1,162)</u>	<u>316</u>	<u>80,220</u>
	301,983	(54,901)	(48,134)	316	199,264
Loss carryforwards	<u>-</u>	<u>91,120</u>	<u>-</u>	<u>-</u>	<u>91,120</u>
	<u>\$ 301,983</u>	<u>\$ 36,219</u>	<u>\$ (48,134)</u>	<u>\$ 316</u>	<u>\$ 290,384</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 338,301	\$ 51,604	\$ -	\$ -	\$ 389,905
Others	<u>1,208</u>	<u>3,669</u>	<u>2,267</u>	<u>-</u>	<u>7,144</u>
	<u>\$ 339,509</u>	<u>\$ 55,273</u>	<u>\$ 2,267</u>	<u>\$ -</u>	<u>\$ 397,049</u>

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>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary differences	<u>\$ 2,525,076</u>	<u>\$ 1,388,365</u>

- f. Information on unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 93,089	2030
<u>362,509</u>	2032
<u>\$ 455,598</u>	

- g. Income tax assessments

The income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

24. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings (loss) per share	<u>\$ (14.22)</u>	<u>\$ 7.67</u>
Diluted earnings (loss) per share	<u>\$ (14.22)</u>	<u>\$ 7.66</u>

The earnings (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share are as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2022	2021
Profit (loss) of the Corporation	<u>\$ (7,757,796)</u>	<u>\$ 4,181,835</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share		
Weighted average number of ordinary shares	553,260	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>-</u>	<u>887</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>545,381</u>	<u>546,268</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.

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. Due to the net loss after tax for the year ended December 31, 2022, the Corporation did not compute the diluted loss per share with anti-dilutive effects by assuming that employees' compensation would be distributed in the form of shares.

25. CAPITAL MANAGEMENT

The Corporation's 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 Corporation's 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, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ -	\$ 603,474	\$ 603,474
Mutual funds	50,271	-	-	50,271
Derivative financial instruments	-	-	12,631	12,631
	<u>\$ 50,271</u>	<u>\$ -</u>	<u>\$ 616,105</u>	<u>\$ 666,376</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,354	\$ -	\$ -	\$ 1,354
Domestic unlisted shares	-	-	13,684	13,684
	<u>\$ 1,354</u>	<u>\$ -</u>	<u>\$ 13,684</u>	<u>\$ 15,038</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 129,189	\$ -	\$ -	\$ 129,189
Derivative financial instruments	-	-	43,359	43,359
	<u>\$ 129,189</u>	<u>\$ -</u>	<u>\$ 43,359</u>	<u>\$ 172,548</u>
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,985</u>	<u>\$ 8,985</u>
Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,482</u>	<u>\$ 33,482</u>

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>
<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>\$ 2,532</u>	<u>\$ 2,532</u>

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, 2022

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	\$ 605,042	\$ 613	\$ 13,226	\$ 533	\$ 619,414
Recognized in profit or loss	(1,568)	12,018	-	-	10,450
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>458</u>	<u>42,826</u>	<u>43,284</u>
Balance at December 31	<u>\$ 603,474</u>	<u>\$ 12,631</u>	<u>\$ 13,684</u>	<u>\$ 43,359</u>	<u>\$ 673,148</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 976	\$ 2,532	\$ 3,508
Recognized in profit or loss	8,009	-	8,009
Recognized in other comprehensive loss	<u>-</u>	<u>30,950</u>	<u>30,950</u>
Balance at December 31	<u>\$ 8,985</u>	<u>\$ 33,482</u>	<u>\$ 42,467</u>

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)	<u>-</u>	<u>-</u>	<u>56</u>	<u>(2,422)</u>	<u>(2,366)</u>
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 or loss	976	-	976
Recognized in other comprehensive loss	<u>-</u>	<u>2,532</u>	<u>2,532</u>
Balance at December 31	<u>\$ 976</u>	<u>\$ 2,532</u>	<u>\$ 3,508</u>

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	
	2022	2021
Operating income ratio	0.69-6.46 times	0.97-4.78 times
P/B ratio	0.84-2.97 times	1.08-2.49 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	
	2022	2021
Operating income ratio		
0.1 time increase	<u>\$ 24,780</u>	<u>\$ 25,502</u>
0.1 time decrease	<u>\$ (24,780)</u>	<u>\$ (25,502)</u>
P/B ratio		
0.1 time increase	<u>\$ 60,095</u>	<u>\$ 64,027</u>
0.1 time decrease	<u>\$ (60,095)</u>	<u>\$ (64,027)</u>

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 666,376	\$ 686,114
Financial assets for hedging	172,548	59,612
Financial assets at amortized cost (Note 1)	7,168,513	10,404,431
Financial assets at FVTOCI	15,038	29,024
<u>Financial liabilities</u>		
Amortized cost (Note 2)	5,079,626	4,361,701
FVTPL (included in other current liabilities)		
Held for trading	8,985	976
Financial liabilities for hedging (included in other current liabilities)	33,482	2,532

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, 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.

	USD to NTD	
	For the Year Ended December 31	
	2022	2021
Loss	\$ (1,382)	\$ (907)
Equity	\$ -	\$ (830)
	JPY to NTD	
	For the Year Ended December 31	
	2022	2021
Gain	\$ 509	\$ 79
Equity	\$ (1,462)	\$ (2,058)
	RMB to NTD	
	For the Year Ended December 31	
	2022	2021
Loss	\$ (2,945)	\$ (4,959)
Equity	\$ (12,560)	\$ (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.

	December 31	
	2022	2021
Cash flows interest rate risk		
Financial assets	<u>\$ 4,836,796</u>	<u>\$ 7,831,796</u>

Sensitivity analysis

The sensitivity analysis below was 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, 2022 and 2021 would increase/decrease by \$12,092 thousand and \$19,579 thousand, respectively.

The Corporation's sensitivity to interest rates decreased during the current year was mainly due to the decrease 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, 2022 and 2021 would have decreased by \$2,514 thousand and \$4,023 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 \$68 thousand and \$790 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 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, 2022 and 2021, the Corporation had available unutilized unsecured and secured financing facilities of \$4,263,430 thousand and \$4,928,361 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 that has significant influence over the Corporation
Mitsubishi Corporation	Investor that has significant influence over the Corporation (The relationship ended in December 2021.)
Tai Yuen Textile Co., Ltd.	Investor that has significant influence over the Corporation
Le Wen Investment Co., Ltd.	Investor that has significant influence over the Corporation
Yulon Management Company 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
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.	Associate
Yulon IT Solutions Inc. (Yulon IT)	Associate
Sin Gan Co., Ltd.	Associate
Tokio Marine Newa Insurance Co., Ltd.	Associate
Hong Shuo Cultural Enterprises, Co., Ltd.	Associate

(Continued)

Related Party Name	Related Party Category
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
Looplus Service Technology Inc.	Became an associate in April 2021
Tai-Ya (Hong Kong) Investment Ltd.	Associate
Hangzhou Haitec Company	Associate
YES Charging Service Co., Ltd	Associate
Chuang Jie New Energy Vehicle (HZ) Limited	Associate
H.K. Manpower Service Co., Ltd.	Associate
Kian Shen Corporation (Kian Shen)	Subsidiary
COC Tooling & Stamping Co., Ltd.	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
Jiangsu Greentrans Automotive Parts Co., Ltd.	Subsidiary
MG Motor Taiwan Co., Ltd. ("MG Motor")	Subsidiary
South East (Fujian) Motor Corporation Ltd.	Joint venture (the relationship ended in October 2022.)
Fujian Benz Automotive Co., Ltd.	Joint venture
China Engine (Fujian)	Joint venture
Yuanchuang Industrial Investment Consulting Co., Ltd.	Substantive related party

(Concluded)

b. Operating transactions

1) Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Sales	Associates		
	Fortune Motors	\$ 17,359,399	\$ 18,193,402
	Shung Ye Motor	3,188,696	3,398,351
	Others	<u>12,594</u>	<u>11,866</u>
		20,560,689	21,603,619
	Subsidiaries	1,680,982	478,086
	Investors and subsidiaries of the investors that have significant influence over the Corporation	63,956	82,031
	Others	<u>8,425</u>	<u>7,773</u>
		<u>\$ 22,314,052</u>	<u>\$ 22,171,509</u>

2) Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Purchases	Associates	\$ 1,607,342	\$ 1,768,785
	Subsidiaries	982,093	1,107,226
	Investors that have significant influence over the Corporation	583,983	831,380
	The Corporation is its key management personnel	287,466	321,283
	Others	<u>563</u>	<u>527</u>
		<u>\$ 3,461,447</u>	<u>\$ 4,029,201</u>

3) Technical services expense

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Cost of goods sold and selling and marketing expenses	Investors that have significant influence over the Corporation	<u>\$ 140,518</u>	<u>\$ 180,372</u>

4) Operating expenses

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Selling and marketing expenses, general and administrative expenses and research and development expenses	Associates	11,124	8,600
	Subsidiaries	\$ 7,464	\$ 8,677
	Others	<u>4,475</u>	<u>2,051</u>
		<u>\$ 23,063</u>	<u>\$ 19,328</u>

5) Contract liabilities

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other current liabilities	Subsidiaries		
	China Engine	\$ 91,357	\$ 10,200
	Others	<u>1,470</u>	<u>1,287</u>
		<u>\$ 92,827</u>	<u>\$ 11,487</u>

6) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade receivables from related parties	Associates		
	Fortune Motors	\$ 768,477	\$ 988,259
	Shung Ye Motor	225,044	249,137
	Others	<u>537</u>	<u>994</u>
		<u>994,058</u>	<u>1,238,390</u>
	Subsidiaries		
	MG Motor	297,656	-
	Others	<u>248,389</u>	<u>121,182</u>
		<u>546,045</u>	<u>121,182</u>
	Others	<u>14,170</u>	<u>5,807</u>
		<u>\$ 1,554,273</u>	<u>\$ 1,365,379</u>

7) Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables to related parties	Associates		
	Uni-Auto Parts	\$ 119,761	\$ 121,057
	ROC-Spicer	92,523	101,305
	Others	<u>180,889</u>	<u>170,821</u>
		<u>393,173</u>	<u>393,183</u>
	Subsidiaries		
	Kian Shen	126,328	95,108
	Others	<u>128,172</u>	<u>77,004</u>
		<u>254,500</u>	<u>172,112</u>
	Investors and subsidiaries of investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	94,421	79,706
	Others	<u>-</u>	<u>11,104</u>
		<u>94,421</u>	<u>90,810</u>
	The Corporation is its key management personnel	50,326	56,226
	Others	<u>6,953</u>	<u>6,846</u>
		<u>\$ 799,373</u>	<u>\$ 719,177</u>

8) Prepayments

Line Item	Related Party Category/Name	December 31	
		2022	2021
Prepayments	Subsidiaries		
	Sino Diamond Motors	\$ 166,991	\$ -
	Others	<u>2,222</u>	<u>1,871</u>
		169,213	1,871
	Associates	55,292	-
	Others	<u>4,122</u>	<u>430</u>
		<u>\$ 228,627</u>	<u>\$ 2,301</u>

9) Acquisitions of property, plant and equipment

Line Item	Related Party Category/Name	Purchase Price For the Year Ended December 31	
		2022	2021
Property, plant and equipment	Subsidiaries	\$ 7,039	\$ 48,730
	Associates	<u>7,392</u>	<u>14,654</u>
		<u>\$ 14,431</u>	<u>\$ 63,384</u>

10) Disposals of property, plant and equipment

Line Item	Related Party Category/Name	Proceeds	
		For the Year Ended December 31 2022	2021
Property, plant and equipment	Subsidiaries	\$ <u>857</u>	\$ <u>2,602</u>

11) Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Acquisitions of right-of-use assets (included in other non-current assets)	Associates Yulon IT	\$ <u>-</u>	\$ <u>6,512</u>

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities (included in other current liabilities and other non-current liabilities)	Associates Yulon IT	\$ <u>1,416</u>	\$ <u>5,261</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Interest expense (included in other expense)	Associates Yulon IT	\$ <u>45</u>	\$ <u>41</u>

The Corporation leased right-of-use of information equipment 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. The Corporation terminated a portion of lease contracts early for the year ended December 31, 2022, and recognized a loss on lease modifications of \$50 thousand (included in other expense).

12) Loans to related parties

Line Items	Related Party Category/Name	December 31	
		2022	2021
Other receivables	Subsidiaries Sino Diamond Motors	\$ <u>-</u>	\$ <u>600,163</u>

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Interest revenue	Subsidiaries Sino Diamond Motors	\$ <u>4,930</u>	\$ <u>5,415</u>

The Corporation provided financing to its subsidiary, Sino Diamond Motors, at rates comparable to market interest rates. For the years ended December 31, 2022 and 2021, the financing provided to its subsidiary were all unsecured loans.

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, 2022 and 2021, 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

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 55,950	\$ 88,733
Post-employment benefits	<u>189</u>	<u>291</u>
	<u>\$ 56,139</u>	<u>\$ 89,024</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:

	December 31	
	2022	2021
Pledged deposits (Note 9)	<u>\$ 163,676</u>	<u>\$ 163,321</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2022 were as follows:

- The Corporation issued guarantee notes amounting to \$3,753,430 thousand which had been pledged as collateral for loans from banks and other financial institutions and for government grants.
- 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

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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 3,591	30.71	\$ 110,289
RMB	59,792	4.408	263,562
Non-monetary items			
Investments accounted for using the equity method			
EUR	115,760	32.72	3,787,680
RMB	95,059	4.408	419,019
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	43,589	4.408	192,142
JPY	565,441	0.2324	131,408

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

For the years ended December 31, 2022 and 2021, net foreign exchange gain (loss) (realized and unrealized) were \$(18,565) thousand and \$18,787 thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) 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 2022 and as of March 31, 2023: 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, 2022	December 31, 2021	Variation	
			Amount	Amount
Current assets	17,381,582	19,520,745	(2,139,163)	(10.96)
Investment	22,076,500	26,328,082	(4,251,582)	(16.15)
Property, plant and equipment	6,209,320	6,215,856	(6,536)	(0.11)
Intangible assets	540,941	438,039	102,902	23.49
Other assets	2,281,296	2,232,392	48,904	2.19
Total assets	48,489,639	54,735,114	(6,245,475)	(11.41)
Current liabilities	7,521,517	6,765,189	756,328	11.18
Non-current liabilities	4,921,174	1,644,897	3,276,277	199.18
Total liabilities	12,442,691	8,410,086	4,032,605	47.95
Share capital	5,536,203	5,536,203	-	-
Capital surplus	6,638,276	6,421,515	216,761	3.38
Retained earnings	20,549,664	31,192,108	(10,642,444)	(34.12)
Other equity	(395,279)	(477,696)	82,417	17.25
Treasury stock	-	-	-	-
Equity attributable to owners of parent company	32,328,864	42,672,130	(10,343,266)	(24.24)
Non-controlling interests	3,718,084	3,652,898	65,186	1.78
Net equity	36,046,948	46,325,028	(10,278,080)	(22.19)
Analysis of variations exceeding 20% and NT\$10 million for the last two years:				
1. Intangible assets increased mainly due to the additional intangible assets accumulated from development of new vehicle models.				
2. Non-current liabilities and total liabilities increased mainly because of accounting for the deficit of Tokio Marine Nawa Insurance Co., Ltd.that increased the credit balance of investments accounted for using equity method.				
3. Retained earnings and equity reduced mainly because of accounting for the loss from epidemic insurance of Tokio Marine Nawa Insurance.				

Review and analysis of financial position and financial performance, and risk management

II. Financial Performance

Financial performance analysis

Unit: NT\$ thousand

Item \ Year	2022	2021	Increase (decrease)	Variation %
Operating revenue	29,553,870	31,125,399	(1,571,529)	(5.05)
Operating costs	24,680,105	26,184,948	(1,504,843)	(5.75)
Gross profit	4,873,765	4,940,451	(66,686)	(1.35)
Realized gross profit	4,871,424	4,938,600	(67,176)	(1.36)
Operating expenses	2,930,998	2,898,998	32,000	1.10
Operating profit	1,940,426	2,039,602	(99,176)	(4.86)
Non-operating income and expenses	(9,049,332)	3,038,674	(12,088,006)	(397.81)
Profit or loss before tax from continuing operations	(7,108,906)	5,078,276	(12,187,182)	(239.99)
Income tax benefit (expense)	(495,539)	(674,792)	179,253	26.56
Profit or loss after tax from continuing operations	(7,604,445)	4,403,484	(12,007,929)	(272.69)
Income from discontinued operation	0	0	-	-
Net profit for the year	(7,604,445)	4,403,484	(12,007,929)	(272.69)
Other comprehensive income	557,494	186,693	370,801	198.62
Total comprehensive income for the year	(7,046,951)	4,590,177	(11,637,128)	(253.52)
Analysis of variations exceeding 20% and NT\$10 million for the most recent two years:				
1. Non-operating income and expenses reduced mainly because of the reduced “share of investment gains and losses of affiliates and joint-ventures accounted for using the equity method”.				
2. Income tax expense reduced mainly because of accounting for the investment losses of Tokio Marine Nawa Insurance Co., Ltd.				
3. Other comprehensive income increased mainly because of the increased “remeasurements of the net defined benefit plans” and “share of the other comprehensive income of affiliates and joint-ventures accounted for using the equity method”.				

III. Cash flow analysis

(I) Liquidity analysis for the last two years

Item \ Year	2022	2021	Increase (Decrease) %
Cash flow ratio (%)	23.46	63.76	(40.3)

Review and analysis of financial position and financial performance, and risk management

Cash flow adequacy ratio (%)	57.69	73.87	(16.18)
Cash flow reinvestment ratio (%)	(1.93)	0.59	(2.52)
Explanation of variation:			
1. Cash flow ratio and cash reinvestment ratio reduced mainly because of the reduced cash flow from operating activities in FY 2022.			
2. Cash flow adequacy ratio reduced mainly because of the increased “long-term investments acquired through the equity method” in 2022.			

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
4,591,560	2,216,109	(5,838,050)	969,619	-	-
1. Cash flow analysis for the coming year					
(1) Operating activities: Projected net cash inflow of NT\$2,216,109 thousand from operating activities.					
(2) Investing activities: Projected net cash inflow of NT\$4,863,152 thousand from investing activities.					
(3) Financing activities: Projected net cash outflow of NT\$974,898 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 2022 amounted NT\$734,144 thousand, and the expected 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,

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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

We chiefly maintain reinvestments in automotive-related sectors. In 2022, the loss on overall reinvestments was accounted for NT\$9.433 billion, a decline of NT\$12.317 billion compared to the profit of NT\$2.884 billion accounted for in 2021. The single huge-amount loss on the epidemic insurance policy sold by investee Tokio Marine Nawa Insurance Co., Ltd. Was the main cause of losses. As a result, the loss in total accounting for by the Company and other investees (including Yulon Motor, Fortune Motors, Shung Ye Motors, and others) increased by NT\$12.836 billion (profit in 2021 was NT\$337 million, loss in 2022 was NT\$12.499 billion). In the automotive market of Taiwan and mainland China, although the market in Taiwan is smaller and sales reduced by 4.4% over 2021, the commercial vehicle sales increased. Additionally, through the concerted efforts in cutting budgets and creating sources of upstream suppliers and downstream distributors, the profit from domestic reinvestments increased by NT\$164 million over 2021. In the mainland China market, the overall sales in 2022 increased by 2.25% over 2021 to 26.86 million vehicles. Thanks to increase in the demand for high-end commercial vehicles and various structure improvement policies of South East (Fujian) Motor, the 2021 profit of Chinese investee Fujian Benz Automotive increased by NT\$354 million.

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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 in interest rate mainly affect our financial assets. If the interest rate increases by 0.25%, our 2022 net income before tax will increase by NT\$12,092 thousand.

We hold some of our assets and liabilities in foreign currencies. As a result, any change of the exchange rates will lead to decreased values of our assets in foreign currencies and exposure to risks of fluctuating cash flow in the future. Estimates as per our 2022 operating results shows, the net income before tax will: reduce by NT\$1,382 thousand when the NTD:USD rate appreciates by 1%; increase by NT\$509 thousand when the NTD:JPY rate appreciates by 1%; and reduce by NT\$2,945 thousand when the NTD:CNY rate appreciates by 1%.

As a result of the price rise of raw materials and energy, the pressure of inflation has cast over the globe and driven the US to continue its contractionary monetary policy. Inflation and interest rate changes may affect our operating cost in some ways. Hence, we will continue to monitor the market movement so as to adjust our products and services accordingly.

- (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:

Based on the defined operational policy, our R&D center CARTEC and product groups will engage with the following technological R&D based on the R&D focus of new energy, safety, and technology: (1) developing vehicle technologies that are rapidly

Review and analysis of financial position and financial performance, and risk management

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 2023 are NT\$1,279,492 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 2022 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

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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.

I. Summary of affiliates

(I) Consolidated Business Reports of Affiliated Enterprises

1. Affiliation organizational chart: please refer to Page 230
2. Basic information of affiliates

December 31, 2022

Unit: in thousand

Special Disclosure

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	Heavy vehicle chassis and mold and jig products
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	30.71	Investment in production and service industries.
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	30.71	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, testers, 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	Steel plate cutting
6	China Engine Corporation	July 24, 1995	No. 22, Alley 22, Lane 808, Xihai Road, Dayuan District, Taoyuan City.	NT	\$ 1,689,000	1.000	Automotive engine and part manufacturing
7	GreenTrans Corporation	December 24, 2009	11F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$ 20,000	1.000	Motorcycle and part sales
8	Ling Wei Motor Co.	November 19, 2007	11F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$ 63,084	1.000	Pre-owned car sales
9	GreenTrans Investment Corporation	March 14, 2012	Offshore Chambers,P.O.Box 217,Apia, Samoa	US	\$ 11,200	30.71	General investment
10	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	30.71	Manufacture and sales of e-scooter parts
11	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	Consulting and service

Special Disclosure

No.	Name of affiliate	Date of establishment	Address	Paid-in capital			Main business or product
				Currency	Amount	Exchange rate	
12	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	30.71	Consulting and service
13	Hwa Wei Holdings	May 26, 1995	Citco Building, Wickhams Cay, P. O. Box 662, Road Town, Tortola, British Virgin Island	US	\$ 100	30.71	Overseas investment in production and service industries.
14	China Motor Investment Co., Ltd.	November 8, 2005	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	US	\$ 40	30.71	General investment
15	Alliance Investment & Management	January 11, 1999	13F., No. 2, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City	NT	\$ 950,000	1.000	General investment
16	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	Sales and after-sale services of automotive
17	Hwa-Yu Corporation Ltd.	November 12, 2003	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	US	\$ 23,633	30.71	Overseas investment in production and service industries.
18	Hwa-Lin Investments Ltd.	December 14, 1999	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Island	US	\$ 20,083	30.71	Overseas investment in production and service industries.
19	MG Motor Taiwan Co., Ltd.	March 2, 2022	11F., No. 2, Sec. 2, Dunhua S. Rd., Taipei City	NT	\$ 250,000	1.000	Car sales

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, 2022

Unit: shares ; %

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2023)	Number of shareholding (Note 1), (Note 2)	
			Shares	Shares
Kian Shen Corporation	Chairperson	China Motor Corporation Representative: Chao-Wen Chen	32,201,367	43.87%
	Director	China Motor Corporation Representative: Chiung-Chih Tseng	32,201,367	43.87%
	Director	Yulon Business Management Co., Ltd. Representative: Hsin-Cheng Tseng Hung-Ching Yang	10,600	0.01%
	Director	Kuozui Motors, Ltd. Representative: Wen-Chi Chien Kuen-Sheng Lan Naoki Kobayashi	24,178,711	32.94%
	Independent Director President	Te-Chang Yeh Chiung-Chih Tseng	0	
Kian Shen Investment Co., Ltd.	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.	Chairperson	China Motor Corporation Representative: Chao-Wen Chen	33,564,678	49.76%
	Director	Yulon Motor Co., Ltd. Representative: Chung-Yuen Chen Ping-Lin Chen	25,469,581	37.76%
	Director	China Motor Corporation Representative: Tung-Tai Hsiung Chin-Huang Chang	33,564,678	49.76%
	Supervisor	Tai Yuen Textile Co., Ltd. Representative: Yuen-Lung Chen	8,421,863	12.48%
	President	Chin-Huang Chang		

Special Disclosure

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2023)	Number of shareholding (Note 1), (Note 2)	
			Shares	Shares
Y.M.Hitech Industry Ltd.	Chairperson	COC Tooling & Stamping Co., Ltd. Representative: Chang, Chin-Huang	4,250,000	85.00%
	Director	COC Tooling & Stamping Co., Ltd. Representative: Chia-Pin Lin Sho-Hsu Chiu Keng-Chieh Huang	4,250,000	85.00%
	Director	Metal One Corporation Representative: Chia-Wei Hung	750,000	15.00%
	Supervisor	Mei-Ching Wu		
	President	Chia-Pin Lin		
China Engine Corporation	Chairperson	Yulon Motor Co., Ltd. Representative: Hung-Cheng Chen	64,454,000	38.16%
	Director	Yulon Motor Co., Ltd. Representative: Chien-Huei Li	64,454,000	38.16%
	Director	China Motor Corporation Representative: Min-Huei Chiu Tung-Tai Hsiung Hung-Ching Yang	87,999,000	52.10%
	Supervisor	Sino Diamond Motor Corporation Representative: Chun-Ching Liao	1,000	0.00%
	Supervisor	Sentec Group Representative: Chao-Huei Huang	10,223,000	6.05%
	President	Hung-Cheng Chen		
Greentrans Corporation	Chairperson	Sino Diamond Motor Corporation Representative: Hsin-Cheng Tseng	2,000,000	100.00%
	President	Hua-Hsun Yin		
Ling Wei Motor Co.	Chairperson	Sino Diamond Motor Corporation Representative: Hsin-Cheng Tseng	3,808,397	100.00%
	President	Chen-Ting Chao		
GreenTrans Investment Corporation	Director	Alliance Investment & Management Co., Ltd Representative: Chao-Wen Chen	11,200,000 (US\$1 per share)	100.00%
Jangsu Greentrans Electromechanical Co., Ltd.	Executive	GreenTrans Investment Corporation	11,200,000	100.00%
	Director	Representative: Kuo-Huei Huang	(US\$1 per share)	
	Supervisor	GreenTrans Investment Corporation Representative: Cheng-Chang Huang	11,200,000 (US\$1 per share)	100.00%
	President	Shih-Ching Yao		

Special Disclosure

Name of affiliate	Title	Name or representative (based on prevailing circumstances as of March 31, 2023)	Number of shareholding (Note 1), (Note 2)	
			Shares	Shares
Brilliant Insight International Consultancy Service Co., Ltd.	Chairperson President	Sino Diamond Motor Corporation Representative: Ching-Wu Chien Ming-Cheng Sung	2,200,000	100.00%
Fujian Rui Hua Consulting Co., Ltd.	Executive Director Supervisor President	Kuo Hua Yu (Samoa) Co., Ltd. Representative: Ching-Wu Chien Kuo Hua Yu (Samoa) Co., Ltd. Representative: Chun-Ching Liao Ching-Wu Chien	3,400,000 (Capital contribution in US\$) 3,400,000 (Capital contribution in US\$)	100.00% 100.00%
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	Chairperson	China Motor Corporation Representative: Chao-Wen Chen	95,000,000	100.00%
	Director	China Motor Corporation Representative: Li-Lien Yen Chen Ching-Wu Chien	95,000,000	100.00%
	Supervisor	China Motor Corporation Representative: Chun-Ching Liao	95,000,000	100.00%
	President	Chao-Wen Chen		
Sino Diamond Motors Corporation	Chairperson President	China Motor Corporation Representative: Chao-Wen Chen Hsin-Cheng Tseng	151,067,030	100.00%
Hwa-Yu Corporation Ltd.	Director	Sino Diamond Motor Corporation Representative: Chao-Wen Chen	23,632,942 (US\$1 per share)	100.00%
Hwa-Lin Investments Ltd.	Director	Kuo Hua Yu (Samoa) Co., Ltd. Representative: Chao-Wen Chen	20,082,942 (US\$1 per share)	100.00%
MG Motor Taiwan Co., Ltd.	Chairperson President	Sino Diamond Motor Corporation Representative: Ching-Wu Chien Tsong-Yu Chen	25,000,000	100.00%

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, 2022

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	5,608,889	989,078	4,619,811	1,500,265	45,048	269,818	3.68
Kian Shen Investment Co., Ltd.	328,888	4,170,713	88,645	4,082,068	0	(94)	287,969	23.86
Kian Shen Investment Hong Kong Co.Limited	795,604	4,201,297	118,988	4,082,309	0	(202)	213,264	8.23
COC Tooling & Stamping Co., Ltd.	674,591	2,012,564	484,063	1,528,501	1,120,095	62,083	115,627	1.71
Kian Shen Investment Hong Kong Co.Limited	50,000	263,231	165,038	98,193	349,341	17,828	16,388	3.28
COC Tooling & Stamping Co., Ltd.	1,689,000	1,125,733	411,987	713,746	138,232	(76,414)	(122,669)	(0.73)
Kian Shen Investment Hong Kong Co.Limited	20,000	125,338	104,969	20,369	161,920	(142)	(53)	(0.03)
COC Tooling & Stamping Co., Ltd.	63,084	129,648	64,079	65,569	133,144	101	1,328	0.21
GreenTrans Investment Corporation	344,369	215,709	0	215,709	0	0	1,515	0.14
Jangsu Greentrans Electromechanical Co., Ltd.	347,907	232,843	17,148	215,695	123,671	(1,114)	1,514	–
Brilliant Insight International Consultancy Service Co., Ltd.	22,000	32,882	10,042	22,840	56,925	91	160	0.07
Fujian Rui Hua Consulting Co., Ltd.	100,368	355,461	265,025	90,436	10,997	(4,920)	2,558	–
Hwa Wei Holdings	3,080	355,169	0	355,169	0	0	(83,558)	(835.58)
China Motor Investment Co.,Ltd.	1,402	215,346	0	215,346	0	0	(49,935)	(1,248.35)

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)
Alliance Investment & Management	950,000	479,400	3,874	475,526	0	(265)	64,036	0.67
Sino Diamond Motors Corporation	1,510,670	2,575,736	972,658	1,603,078	1,560,018	46,950	89,452	0.59
Hwa-Yu Corporation Ltd.	750,975	554,814	0	554,814	0	0	82,973	3.51
Hwa-Lin Investments Ltd.	633,916	464,338	0	464,338	0	(91)	80,411	4.00
MG Motor Taiwan Co., Ltd.	250,000	665,857	436,485	229,372	1,148,490	(26,131)	(20,628)	(0.83)

- (II) Consolidated financial statements of affiliates: They are the same as those included in the consolidated financial statements.

Special Disclosure

Consolidated Financial Statement of Affiliates

We, China Motor Corporation, hereby declare that no separate consolidated financial statement of affiliates will be produced whereas the companies required for reporting in the consolidated financial statement of affiliates of this Company in 2022 (January 1-December 31, 2022) in accordance with the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises* are the same as the companies required for reporting in the consolidated financial statement of the parent and affiliates as stated in the IFRS No. 10. Additionally, the information required for disclosure in the consolidated financial statement of affiliates has been disclosed in the said consolidated financial statement of the parent and affiliates. Therefore, it is not necessary for the Company to prepare the consolidated financial statements of affiliated enterprises separately.

Company name: China Motor Corporation

Chairperson: Li-Lien Yen Chen

Date: March 14, 2023

(III) Affiliation report: None.

Special Disclosure

- II. Private Placement Securities in 2022 and as of March 31, 2023: None.
- III. Status of the Company's Shares Held or Disposed of by Subsidiaries in 2022 and as of March 31, 2023: None.
- IV. Other Necessary Supplement: None.
- V. Any Events in 2022 and as of March 31, 2023 that Had Material Impacts on Shareholders' Interests or Securities Prices: None.

China Motor Corporation



Chairperson 
Li-Lien Yen Chen