

China Motor Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA MOTOR CORPORATION

By:

KENNETH YEN
Chairman

March 24, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Motor Corporation

We have audited the accompanying consolidated balance sheets of China Motor Corporation (the "Corporation") and its subsidiaries (collectively, the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2014 and 2013 of Daimler Vans Hong Kong Ltd., Guangzhou NTN-Yulon Drivertrain Co., Ltd., Shung Ye Motors Corporation, Uni Auto Parts Manufacture Co., Ltd. and Soueast-motor Co., Ltd., and the financial statements as of and for the year ended December 31, 2013 of Fu Yu Venture Capital Investment Corporation and Zhejiang Kangda Motor Industry and Trading Co., Ltd., in which the Corporation had equity-method investments, as shown in the accompanying financial statements. These investments were 8.1% (NT\$5,003,779 thousand) and 8.1% (NT\$4,849,829 thousand) of the Corporation's total assets as of December 31, 2014 and 2013, respectively. The Corporation's equity in their comprehensive income was 2.4% (NT\$85,600 thousand) and 10.5% (NT\$492,040 thousand) of the Corporation's total comprehensive income in 2014 and 2013, respectively. These investees' financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and the consolidated financial performance and the consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Internationals (SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

We have also audited the financial statements of the parent company, China Motor Corporation, as of and for the years ended December 31, 2014 and 2013, on which we have issued a modified unqualified report.

Deloitte & Touche

March 24, 2015

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.

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,211,609	18	\$ 10,947,278	18
Financial assets at fair value through profit or loss (Notes 4 and 7)	631,143	1	1,063,536	2
Available-for-sale financial assets (Notes 4 and 8)	1,556,952	3	1,243,367	2
Notes receivable, net (Note 4)	248,494	-	213,675	-
Accounts receivable, net (Note 4)	934,816	2	1,023,343	2
Receivables from related parties, net (Notes 4 and 22)	1,560,828	3	1,846,555	3
Other receivables (Note 4)	169,118	-	398,825	1
Inventories (Notes 4 and 9)	5,704,551	9	5,752,022	10
Other current assets (Notes 4, 18, 22 and 23)	<u>921,489</u>	<u>1</u>	<u>1,390,562</u>	<u>2</u>
Total current assets	<u>22,939,000</u>	<u>37</u>	<u>23,879,163</u>	<u>40</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4 and 8)	863,278	2	691,526	1
Financial assets measured at cost (Notes 4 and 10)	468,225	1	669,732	1
Debt investments with no active market (Note 4)	1,316,118	2	597,793	1
Investments accounted for using the equity method (Notes 4 and 11)	27,095,837	44	25,739,766	43
Property, plant and equipment (Notes 4, 12 and 23)	6,490,732	11	5,952,588	10
Investment properties (Notes 4, 13 and 23)	1,441,857	2	1,456,495	3
Intangible assets under development (Note 4)	218,187	-	160,800	-
Goodwill (Note 4)	27,672	-	27,672	-
Deferred tax assets (Notes 4 and 18)	488,930	1	636,617	1
Other non-current assets	<u>173,582</u>	<u>-</u>	<u>248,258</u>	<u>-</u>
Total non-current assets	<u>38,584,418</u>	<u>63</u>	<u>36,181,247</u>	<u>60</u>
TOTAL	<u>\$ 61,523,418</u>	<u>100</u>	<u>\$ 60,060,410</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 14)	\$ 649,737	1	\$ 968,034	2
Short-term bills payable	119,870	-	339,488	1
Notes and accounts payable	2,545,342	4	2,959,688	5
Payables to related parties (Note 22)	825,486	1	809,155	1
Other payables	2,756,797	5	2,398,726	4
Current tax liabilities (Notes 4 and 18)	293,807	1	269,733	-
Current portion of long-term borrowings	-	-	6,026	-
Other current liabilities (Note 22)	<u>652,266</u>	<u>1</u>	<u>642,606</u>	<u>1</u>
Total current liabilities	<u>7,843,305</u>	<u>13</u>	<u>8,393,456</u>	<u>14</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	50,000	-	-	-
Deferred tax liabilities (Notes 4 and 18)	132,981	-	165,083	-
Accrued pension liabilities (Notes 4 and 15)	2,084,161	3	2,051,255	4
Other non-current liabilities	<u>12,391</u>	<u>-</u>	<u>11,715</u>	<u>-</u>
Total non-current liabilities	<u>2,279,533</u>	<u>3</u>	<u>2,228,053</u>	<u>4</u>
Total liabilities	<u>10,122,838</u>	<u>16</u>	<u>10,621,509</u>	<u>18</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 15 and 16)				
Ordinary shares	<u>13,840,508</u>	<u>23</u>	<u>13,840,508</u>	<u>23</u>
Capital surplus	<u>6,392,369</u>	<u>10</u>	<u>6,376,868</u>	<u>11</u>
Retained earnings				
Legal reserve	7,595,944	12	7,342,756	12
Special reserve	1,057,002	2	1,373,008	2
Unappropriated earnings	<u>17,769,775</u>	<u>29</u>	<u>16,800,924</u>	<u>28</u>
Total retained earnings	<u>26,422,721</u>	<u>43</u>	<u>25,516,688</u>	<u>42</u>
Other equity				
Exchange differences on translating foreign operations	750,561	1	192,209	-
Unrealized gain on available-for-sale financial assets	<u>1,035,801</u>	<u>2</u>	<u>798,854</u>	<u>2</u>
Total other equity	<u>1,786,362</u>	<u>3</u>	<u>991,063</u>	<u>2</u>
Total equity attributable to owners of the Corporation	<u>48,441,960</u>	<u>79</u>	<u>46,725,127</u>	<u>78</u>
NON-CONTROLLING INTERESTS	<u>2,958,620</u>	<u>5</u>	<u>2,713,774</u>	<u>4</u>
Total equity	<u>51,400,580</u>	<u>84</u>	<u>49,438,901</u>	<u>82</u>
TOTAL	<u>\$ 61,523,418</u>	<u>100</u>	<u>\$ 60,060,410</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 24, 2015)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 22)				
Net sales	\$ 34,767,347	97	\$ 34,200,990	96
Other operating revenue	<u>1,184,080</u>	<u>3</u>	<u>1,338,835</u>	<u>4</u>
Total operating revenue	<u>35,951,427</u>	<u>100</u>	<u>35,539,825</u>	<u>100</u>
OPERATING COSTS (Notes 9, 15, 17 and 22)				
Cost of goods sold	29,115,654	81	29,447,799	83
Other operating cost	<u>782,315</u>	<u>2</u>	<u>937,470</u>	<u>2</u>
Total operating costs	<u>29,897,969</u>	<u>83</u>	<u>30,385,269</u>	<u>85</u>
GROSS PROFIT	6,053,458	17	5,154,556	15
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>8,606</u>	<u>-</u>	<u>27,927</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>6,062,064</u>	<u>17</u>	<u>5,182,483</u>	<u>15</u>
OPERATING EXPENSES (Notes 15, 17 and 22)				
Selling and marketing expenses	760,460	2	596,377	2
General and administrative expenses	1,200,183	4	1,375,383	4
Research and development expenses	<u>2,131,257</u>	<u>6</u>	<u>1,830,214</u>	<u>5</u>
Total operating expenses	<u>4,091,900</u>	<u>12</u>	<u>3,801,974</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>1,970,164</u>	<u>5</u>	<u>1,380,509</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	154,425	-	126,559	-
Other income	157,658	1	180,568	1
Gain on disposal of investments (Notes 4 and 11)	76,151	-	69,088	-
Other expense	(19,190)	-	(36,909)	-
Foreign exchange gain, net	107,254	-	154,866	-
Impairment loss (Notes 4, 10, 12 and 13)	(129,130)	-	(139,490)	-
Net loss on financial instruments at fair value through profit or loss (Note 4)	(34,535)	-	(1,787)	-
Interest expense	(21,313)	-	(28,024)	-
Share of profit of associates and joint ventures (Note 4)	<u>978,415</u>	<u>3</u>	<u>1,360,568</u>	<u>4</u>
Total non-operating income and expenses	<u>1,269,735</u>	<u>4</u>	<u>1,685,439</u>	<u>5</u>

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CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 3,239,899	9	\$ 3,065,948	9
INCOME TAX EXPENSE (Notes 4 and 18)	<u>418,187</u>	<u>1</u>	<u>314,926</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,821,712</u>	<u>8</u>	<u>2,751,022</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Exchange differences on translating foreign operations (Note 16)	66,064	-	88,358	-
Unrealized gain on available-for-sale financial assets (Note 16)	248,114	1	1,023,953	3
Cash flow hedges (Note 16)	-	-	48,706	-
Actuarial gain (loss) arising from defined benefit plans (Note 15)	(24,801)	-	140,228	-
Share of other comprehensive income of associates and joint ventures (Note 16)	438,725	1	638,976	2
Income tax relating to components of other comprehensive income (loss) (Notes 15 and 18)	<u>4,216</u>	<u>-</u>	<u>(23,839)</u>	<u>-</u>
Other comprehensive income for the year	<u>732,318</u>	<u>2</u>	<u>1,916,382</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,554,030</u>	<u>10</u>	<u>\$ 4,667,404</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,558,290	7	\$ 2,531,878	7
Non-controlling interests	<u>263,422</u>	<u>1</u>	<u>219,144</u>	<u>1</u>
	<u>\$ 2,821,712</u>	<u>8</u>	<u>\$ 2,751,022</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 3,223,882	9	\$ 4,368,486	12
Non-controlling interests	<u>330,148</u>	<u>1</u>	<u>298,918</u>	<u>1</u>
	<u>\$ 3,554,030</u>	<u>10</u>	<u>\$ 4,667,404</u>	<u>13</u>
EARNINGS PER SHARE (Notes 4 and 19)				
Basic	<u>\$ 1.88</u>		<u>\$ 1.86</u>	
Diluted	<u>\$ 1.88</u>		<u>\$ 1.86</u>	

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

(With Deloitte & Touche audit report dated March 24, 2015)

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company					Other Equity		Cash Flow Hedge	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2013	\$ 13,840,508	\$ 6,373,509	\$ 7,127,112	\$ -	\$ 17,003,345	\$ (368,073)	\$ (327,970)	\$ (48,706)	\$ 43,599,725	\$ 2,505,351	\$ 46,105,076
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	1,057,024	(1,057,024)	-	-	-	-	-	-
Appropriation of the 2012 earnings											
Legal reserve	-	-	215,644	-	(215,644)	-	-	-	-	-	-
Special reserve	-	-	-	316,006	(316,006)	-	-	-	-	-	-
Cash dividends - \$0.9 per share	-	-	-	-	(1,245,646)	-	-	-	(1,245,646)	-	(1,245,646)
Special reserve reversal	-	-	-	(22)	22	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(66,253)	(66,253)
Actual acquisition of interest in subsidiaries	-	-	-	-	(797)	-	-	-	(797)	(24,242)	(25,039)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	3,359	-	-	-	-	-	-	3,359	-	3,359
Net profit for the year ended December 31, 2013	-	-	-	-	2,531,878	-	-	-	2,531,878	219,144	2,751,022
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	100,796	560,282	1,126,824	48,706	1,836,608	79,774	1,916,382
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	2,632,674	560,282	1,126,824	48,706	4,368,486	298,918	4,667,404
BALANCE AT DECEMBER 31, 2013	13,840,508	6,376,868	7,342,756	1,373,008	16,800,924	192,209	798,854	-	46,725,127	2,713,774	49,438,901
Appropriation of the 2013 earnings											
Legal reserve	-	-	253,188	-	(253,188)	-	-	-	-	-	-
Cash dividends - \$1.1 per share	-	-	-	-	(1,522,456)	-	-	-	(1,522,456)	-	(1,522,456)
Special reserve reversal	-	-	-	(316,006)	316,006	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(85,108)	(85,108)
Actual acquisition of interest in subsidiaries	-	-	-	-	(94)	-	-	-	(94)	(194)	(288)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	15,501	-	-	-	-	-	-	15,501	-	15,501
Net profit for the year ended December 31, 2014	-	-	-	-	2,558,290	-	-	-	2,558,290	263,422	2,821,712
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	(129,707)	558,352	236,947	-	665,592	66,726	732,318
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	2,428,583	558,352	236,947	-	3,223,882	330,148	3,554,030
BALANCE AT DECEMBER 31, 2014	<u>\$ 13,840,508</u>	<u>\$ 6,392,369</u>	<u>\$ 7,595,944</u>	<u>\$ 1,057,002</u>	<u>\$ 17,769,775</u>	<u>\$ 750,561</u>	<u>\$ 1,035,801</u>	<u>\$ -</u>	<u>\$ 48,441,960</u>	<u>\$ 2,958,620</u>	<u>\$ 51,400,580</u>

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

(With Deloitte & Touche audit report dated March 24, 2015)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,239,899	\$ 3,065,948
Adjustments for:		
Depreciation expenses	727,754	628,439
Amortization expenses	88,082	104,194
Net loss on fair value change of financial instruments at fair value through profit or loss	34,535	1,787
Interest expense	21,313	28,024
Interest income	(154,425)	(126,559)
Dividend income	(47,546)	(43,526)
Net loss on disposal of property, plant and equipment	11,354	16,913
(Gain) loss on disposal of investments	(4,862)	39,225
Loss on disposal of associates and joint ventures	16,279	-
Share of profit of associates and joint ventures	(978,415)	(1,360,568)
Impairment loss	129,130	139,490
Realized gain on transactions with associates	(8,606)	(27,927)
Unrealized net gain on foreign currency exchange	(42,757)	(28,172)
Gain on disposal of investments in subsidiaries	(4,603)	-
Changes in operating assets and liabilities		
Financial assets held for trading	295,858	(64,511)
Notes receivable	(34,819)	114,654
Accounts receivable	90,504	140,628
Receivables from related parties	71,695	(389,920)
Other receivables	54,127	(76,816)
Inventories	47,588	1,675,654
Other current assets	469,056	(459,140)
Financial liabilities held for trading	-	(262,476)
Notes and accounts payable	(416,547)	345,390
Payables to related parties	15,764	104,601
Other payables	383,375	(397,230)
Other current liabilities	9,660	(49,376)
Accrued pension liabilities	8,105	29,116
Cash generated from operations	4,021,498	3,147,842
Income tax paid	(274,307)	(246,905)
Net cash generated from operating activities	<u>3,747,191</u>	<u>2,900,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial assets designated as at fair value through profit or loss upon initial recognition	102,000	215,452
(Increase) decrease in available-for-sale financial assets	(189,286)	2,341,257
Acquisition of debt investments with no active market	(980,584)	(363,794)
Proceeds from the repayments of principal of debt investments with no active market	291,748	-
Acquisition of financial assets measured at cost	(24,769)	(11,128)

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CHINA MOTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Proceeds from the disposal of financial assets measured at cost	\$ 53,361	\$ 11,128
Acquisition of investments accounted for using the equity method	(729,750)	-
Proceeds from the disposal of investments accounted for using the equity method	80,948	-
Proceeds from the disposal of a subsidiary	984	-
Proceeds from capital reduction by investees	103,371	219,375
Acquisition of property, plant and equipment	(1,275,175)	(1,132,653)
Proceeds from the disposal of property, plant and equipment	34,317	35,411
Acquisition of intangible assets	(92,650)	(129,199)
Acquisition of investment properties	(686)	-
Decrease (increase) in other non-current assets	22,923	(118,861)
Interest received	143,867	125,332
Dividends received	<u>1,061,068</u>	<u>1,067,751</u>
Net cash generated from (used in) investing activities	<u>(1,398,313)</u>	<u>2,260,071</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Partial acquisition of interest in subsidiaries	(288)	(25,039)
Cash dividends paid	(1,522,456)	(1,245,646)
Decrease in short-term borrowings	(331,393)	(15,280)
Decrease in short-term bills payable	(219,618)	(89,754)
Proceeds of long-term borrowings	43,974	-
Repayments of long-term borrowings	-	(11,218)
Increase in other non-current liabilities	676	1,246
Interest paid	(22,102)	(30,651)
Changes in non-controlling interests	<u>(85,108)</u>	<u>(66,253)</u>
Net cash used in financing activities	<u>(2,136,315)</u>	<u>(1,482,595)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>51,768</u>	<u>97,542</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	264,331	3,775,955
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,947,278</u>	<u>7,171,323</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,211,609</u>	<u>\$ 10,947,278</u>

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

(With Deloitte & Touche audit report dated March 24, 2015)

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 23, 2015.

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

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective.

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

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

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

1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in joint arrangements and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

Under revised IAS 28, when 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. Under current IAS 28, on the loss of joint control, the Group measures at fair value any investment the Group retains in the former jointly controlled entity. The Group recognizes in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

3) IFRS 13 “Fair Value Measurement”

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

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

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

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

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

5) Revision to IAS 19 “Employee Benefits”

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

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

On initial application of the revised IAS 19 in 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation. Adjustments arising from initial application are not significant.

6) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

7) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

The impairment of financial assets

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

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

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, and IAS 24 “Related Party Disclosures” were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months from the balance sheet date; and
- 3) Cash and cash equivalents.

Current liabilities include:

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

All other assets and liabilities are classified as non-current.

d. Basis of consolidation

- 1) Principles for preparing consolidated financial statements

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

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

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

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

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

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

2) Entities included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			2014	2013	
China-Motor Corporation	Kian Shen Corporation	The production of frame of heavy duty car and mold	43.87	43.87	
	China Motor Corporation Investment	Investment of production and service industries	100.00	99.99	
	Hwa Wei Holdings	Investment of production and service industries	100.00	100.00	
	China Engine	Manufacture of automobile engine and parts	52.11	52.11	
	Sino Diamond Motors	Sales and providing after sales service of vehicle	100.00	100.00	
	Hwa Hann	Sales of automobile parts	99.99	99.99	
	Alliance Investment & Management	Investment	100.00	100.00	
	Gatetech Technology	Aluminum-magnesium alloy casting industry	72.81	72.81	
	China Motor Investment	Investment	100.00	100.00	
	Hwa Chung Motors	Sales of vehicle and parts	100.00	100.00	
Kian Shen	COC Tooling & Stamping	Production of mold, fixture and gauge of vehicle.	49.76	49.76	
	Kian Shen Investment	Overseas investment of production and service industries	43.87	43.87	
	China Engine	Advance Power Machinery Co., Ltd.	Manufacture of automobile engine and parts	52.11	52.11
		Advance Power Investment Co., Ltd.	Investment and sales	52.11	52.11
	Sino Diamond Motors	Hwa Yu Co., Ltd.	Overseas investment of production and service industries	100.00	100.00
		Brilliant Insight International Consultancy Service Co., Ltd.	Consulting and services	100.00	-
	Gatetech Technology	Gatetech Holding Co., Ltd. (GH)	Investment	72.81	72.81
	Alliance Investment & Management	Greentrans Investment Co., Ltd.	Investment	100.00	100.00
	Hwa Chung Motors	Greentrans Co., Ltd.	Sales of motorcycle and parts	100.00	100.00
		Linwei Motor Co., Ltd.	Sales of second-hand vehicle	100.00	100.00
COC Tooling & Stamping	Y. M. Hi-Tech Industry Ltd.	Steel cutting	29.86	29.86	
	Shye Shinn Corporation	Investment	49.76	49.76	
Kian Shen Investment	Kian Shen Investment Hong Kong Co., Limited (KSIHK)	Investment	43.87	43.87	
Hwa Yu Co., Ltd.	Hwa Lin Investments Ltd.	Overseas investment of production and service industries	100.00	100.00	
	Beijing Jun Hua Information	Consulting and services	100.00	100.00	
	Fujian Rui Hua Consulting Co., Ltd.	Consulting and services	100.00	100.00	
	GH	Gatetech International Co., Ltd. (GI)	Investment	72.81	72.81
	Greentrans Investment Co., Ltd.	Jiangsu Greentrans Automotive Parts Co., Ltd.	Production and sales of parts of electronic motorcycle	100.00	100.00
	Shye Shinn Corporation	Zhengzhou Tooling & Stamping Co., Ltd.	Production of mold, fixture and gauge of vehicle.	29.86	29.86
	GI	Gatetech Technology Suchow	Aluminum-magnesium alloy casting industry	72.81	72.81
		Sino Diamond Investment	Dongguan Huayi Motor Maintenance Co., Ltd.	Maintenance and supplementary services of vehicle	100.00
		Tianjin Hwarui Maintenance Co., Ltd.	Maintenance and supplementary services of vehicle	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership	
			December 31, 2014	December 31, 2013
Dongguan Huayi Motor Maintenance Co., Ltd.	Sichuan Huafeng Hanwei Cars Service And Maintenance Co., Ltd.	Maintenance and supplementary services of vehicle	100.00	100.00
	Guangzhou Huayou Motor Maintenance Co., Ltd.	Maintenance and supplementary services of vehicle	100.00	100.00
	Yangjiang Huaching Motor Co., Ltd.	Sales and providing after sales service of vehicle	-	-
	Dongguan Huashun Motor Sale Co., Ltd.	Sales and providing after sales service of vehicle	100.00	100.00
Tianjin Hwarui Maintenance Co., Ltd.	Tianjin Hwahong Sale Co., Ltd.	Sales and providing after sales service of vehicle	100.00	100.00
Sichuan Huafeng Hanwei Cars Service and Maintenance Co., Ltd.	Sichuan Houwei Cars Service and Maintenance Co., Ltd.	Sales and providing after sales service of vehicle	100.00	100.00
	Sichuan Ling wei Cars Service and Maintenance Co., Ltd.	Sales and providing after sales service of vehicle	100.00	100.00
Guangzhou Huayou Motor Maintenance Co., Ltd.	Guangzhou Huayou Motor Sale Co., Ltd.	Sales and providing after sales service of vehicle	100.00	100.00

(Concluded)

The Group does not hold more than 50% interest in Kian Shen Corporation, CoC Tooling & Stamping and their subsidiaries, but it has control and takes the risk. Thus, their financial statements were included in the consolidated financial statements.

The Group invested Yangjiang Huaching through a third party, but it has control and takes the risk. Thus, Yangjiang Huaching's financial statements were included in the consolidated financial statements.

The Group disposed of Yangjiang Huaching in June 2014. The consolidated financial statements for the year ended December 31, 2014 was included this subsidiary's revenue and expense before disposal.

Brilliant Insight International was invested in and established in January 2014, so it was not included in the consolidated financial statements of 2013.

The board of Hwa Hann had decided to dissolve the corporation in April 2009. The liquidation was not completed as of the year ended December 31, 2014.

For the relationship between the Corporation and its controlled entities as of December 31, 2014, please refer to Attachment 10.

e. Business combinations

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

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

Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period 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 case, the exchange differences are also recognized directly in other comprehensive income.

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

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

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

g. Inventories

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

h. Investments accounted for using the equity method

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate and jointly controlled entity 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 jointly controlled entity. The Group also recognizes the changes in the Group's share of equity of associates and jointly controlled entities attributable to the Group. The Group's

equity in the investees' net income or net loss is calculated using the treasury stock method when investees also have investments in the Group (reciprocal holding).

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

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

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 jointly controlled entity recognized 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.

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

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate and jointly controlled entity. Any retained investment is measured at fair value at that date. The difference between the previous carrying amount of the associate and the jointly controlled entity 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 jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate and jointly controlled entity had directly disposed of the related assets or liabilities.

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

i. Property, plant and equipment

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

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

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Investment properties

Investment properties are properties held for earning rentals or for capital appreciation.

Investment properties are measured initially at cost. After initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation expense is computed using the straight-line method over the service lives.

Any gain or loss arising on the derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

k. Intangible assets

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

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

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

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

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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.

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 of asset impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or a 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.

When an impairment reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount 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 a group entity becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

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

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Derivative financial instruments

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

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

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

n. Hedge accounting

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

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

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

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

o. Revenue recognition

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

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group;
and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

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

3) Royalties

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

4) Dividend and interest income

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

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

p. Government grants

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

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

q. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, or is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

a. Estimated impairment of loans and receivables

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

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Income taxes

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

d. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

e. Write-down of inventory

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

f. Useful lives of property, plant and equipment

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

g. Impairment of financial assets measured at cost and investment in the associate

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

h. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash		
Cash on hand	\$ 9,597	\$ 12,588
Checking accounts and demand deposits	<u>1,073,575</u>	<u>917,563</u>
	<u>1,083,172</u>	<u>930,151</u>
Cash equivalents		
Time deposits	7,370,496	6,853,894
Repurchase agreements collateralized by bonds	<u>2,757,941</u>	<u>3,163,233</u>
	<u>10,128,437</u>	<u>10,017,127</u>
	<u>\$ 11,211,609</u>	<u>\$ 10,947,278</u>

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

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

	December 31	
	2014	2013
Checking accounts and demand deposits	0.01%-0.66%	0.01%-0.35%
Time deposits	0.65%-4%	0.65%-3.4%
Repurchase agreements collateralized by bonds	0.58%	0.62%-3.1%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets designated as at FVTPL		
Convertible bonds	\$ 59,700	\$ 90,187
Asset swaps	-	38,331
Others	-	34,220
	<u>59,700</u>	<u>162,738</u>
Financial assets held for trading		
Non-derivative financial assets		
Domestic listed shares	290,952	372,214
Mutual funds	<u>280,435</u>	<u>528,584</u>
	<u>571,387</u>	<u>900,798</u>
Derivative financial assets		
Preferred stock options	<u>56</u>	<u>-</u>
	<u>\$ 631,143</u>	<u>\$1,063,536</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Domestic investments		
Mutual funds	\$ 1,446,286	\$ 1,228,178
Listed shares	<u>110,666</u>	<u>15,189</u>
	<u>\$ 1,556,952</u>	<u>\$ 1,243,367</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	\$ 812,718	\$ 584,206
Listed shares	<u>50,560</u>	<u>78,655</u>
	863,278	662,861
Foreign investments		
Listed shares	<u>-</u>	<u>28,665</u>
	<u>\$ 863,278</u>	<u>\$ 691,526</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Merchandise	\$ 557,274	\$ 847,831
Finished goods	2,264,998	2,169,834
		(Continued)

	December 31	
	2014	2013
Work in progress	\$ 471,123	\$ 471,785
Raw materials	1,875,421	1,750,169
Material in transit	<u>535,735</u>	<u>512,403</u>
	<u>\$ 5,704,551</u>	<u>\$ 5,752,022</u>
		(Concluded)

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 were \$29,115,654 thousand and \$29,447,799 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 included the reversal of inventory write-ups of \$25,925 thousand and inventory write-downs \$15,060 thousand, respectively. Previous write-downs were reversed as a result of disposal of obsolete inventories.

10. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2014	2013
<u>Non-current</u>		
Domestic unlisted common shares	\$ 341,028	\$ 457,965
Overseas unlisted common shares	125,916	176,411
Overseas unlisted preference shares	<u>1,281</u>	<u>35,356</u>
	<u>\$ 468,225</u>	<u>\$ 669,732</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 468,225</u>	<u>\$ 669,732</u>

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

The Group disposed of certain financial assets measured at cost with carrying amounts of \$48,499 thousand and \$50,353 thousand during 2014 and 2013, respectively, recognizing disposal gain of \$4,862 thousand and disposal loss of \$39,225 thousand respectively.

The Group evaluated the invested corporations by future cash flows and market rate of return and recognized impairment loss \$114,717 thousand and \$111,221 thousand during 2014 and 2013, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2014	2013
Investments in associates	\$ 21,002,114	\$ 20,458,129
Investments in jointly controlled entities	<u>6,093,723</u>	<u>5,281,637</u>
	<u>\$ 27,095,837</u>	<u>\$ 25,739,766</u>

a. Investments in associates

Name of Associate	December 31	
	2014	2013
Listed companies		
Yulon	\$ 11,341,031	\$ 10,836,574
Unlisted companies		
Fortune Motors	3,720,297	3,622,593
Hua-Chuang Automobile Information Technical Center	1,945,696	1,971,104
Tokio Marine Newa Insurance	1,397,974	1,313,152
ROC-Spicer	1,266,698	1,206,286
Tai Yuen Venture Capital Investment	395,782	435,862
Uni Auto Parts Manufacture	352,470	313,263
Shung Ye Motors	340,294	347,418
Sin Gan	105,025	278,041
Sin Jiang Enterprises	95,291	92,651
Yulon IT Solutions	22,414	22,043
Fu Yu Venture Capital Investment	19,142	19,142
	<u>9,661,083</u>	<u>9,621,555</u>
	<u>\$ 21,002,114</u>	<u>\$ 20,458,129</u>
Name of Associate	Ownership %	
	2014	2013
Listed companies		
Yulon	16.67	16.67
Unlisted companies		
Fortune Motors	41.93	41.92
Hua-Chuang Automobile Information Technical Center	37.76	37.76
Tokio Marine Newa Insurance	20.57	20.57
ROC-Spicer	29.00	29.00
Tai Yuen Venture Capital Investment	49.50	49.50
Uni Auto Parts Manufacture	15.00	15.00
Shung Ye Motors	40.00	40.00
Sin Gan	24.67	44.45
Sin Jiang Enterprises	20.01	20.01
Yulon IT Solutions	43.85	43.85
Fu Yu Venture Capital Investment	14.81	14.81

The investments in Yulon, Uni Auto Parts Manufacture and Fu Yu Venture Capital Investment were accounted for by the equity method although the Group's equity interest in each of those companies was less than 20% of their outstanding common stocks since the Group exercises significant influence on their financial and operating decisions.

In April 2013, the board of Fu Yu Venture Capital Investment decided to dissolve this company. The liquidation was still ongoing at the end of 2014.

Income and other comprehensive income of investments accounted for using equity method of 2014 and 2013, respectively, are referred to the associates' audited financial statements for the same period.

The Group sold its entire holding of Sin Gan's shares-representing a 19.78% equity interest-to a subsidiary of Yulon in December 2014 and recognized a realized loss of \$16,279 thousand on this sale. (The loss of \$16,279 thousand consisted of the proceeds of \$80,948 thousand on this sale less the book value of the disposal of investments \$100,512 thousand and the deferred unrecognized loss of \$3,285 thousand on this disposal.)

Fair value of investments in associates for which there are published price quotation was summarized as follow, based on the closing prices of those investments at the balance sheet date:

Name of Associate	December 31	
	2014	2013
Yulon	<u>\$ 12,193,610</u>	<u>\$ 14,160,321</u>

The summarized financial information in respect of the Group's associates is set out below:

	December 31	
	2014	2013
Total assets	<u>\$ 281,487,671</u>	<u>\$ 254,412,472</u>
Total liabilities	<u>\$ 171,167,911</u>	<u>\$ 147,599,615</u>
	2014	2014
Revenue for the year ended December 31	<u>\$ 181,136,514</u>	<u>\$ 149,475,637</u>
Profit for the year ended December 31	<u>\$ 4,642,235</u>	<u>\$ 4,370,614</u>
Group's share of profit and other comprehensive income (loss) of associates for the year ended December 31	<u>\$ 1,681,382</u>	<u>\$ 1,579,590</u>

b. Investment in joint controlled entities

Name of Jointly Controlled Entity	December 31	
	2014	2013
Unlisted companies		
Soueast-motor Co., Ltd.	\$ 1,861,949	\$ 2,155,047
Daimler Vans Hong Kong Ltd.	1,238,121	844,923
Guangzhou NTN-YULON Drivertrain Co., Ltd.	1,210,945	991,695
Fuzhou Fushiang Motor Industrial Co., Ltd.	637,547	605,285
Xiangyang NTN-YULON Drivertrain	413,926	-
Xiamen King-Long Kian-Shen Frame Co., Ltd.	302,107	260,518
China Engine (Fujian) Corporation Ltd.	208,060	197,052
Zhejiang Kangda Motor Industry And Trading Co., Ltd.	199,119	178,341
Suzhou Fulgent Automobile Service Co., Ltd.	21,949	41,960
Jiang Su Hui Feng Vehicle Service Co., Ltd.	-	6,816
	<u>\$ 6,093,723</u>	<u>\$ 5,281,637</u>

Name of Jointly Controlled Entity	Ownership %	
	December 31	
	2014	2013
Unlisted companies		
Soueast-motor Co., Ltd.	25.00	25.00
Daimler Vans Hong Kong Ltd.	32.45	32.45
Guangzhou NTN-YULON Drivertrain Co., Ltd.	40.00	40.00
Fuzhou Fushiang Motor Industrial Co., Ltd.	35.00	35.00
Xiangyang NTN-YULONG Drivertrain	40.00	-
Xiamen King-Long Kian-Shen Frame Co., Ltd.	50.00	50.00
China Engine (Fujian) Corporation Ltd.	38.03	38.03
Zhejiang Kangda Motor Industry And Trading Co., Ltd.	24.50	24.50
Suzhou Fulgent Automobile Service Co., Ltd.	35.00	35.00
Jiang Su Hui Feng Vehicle Service Co., Ltd.	35.00	35.00

The Group participated in the capital increase by cash of Daimler Vans Hong Kong Ltd. in July 2014 and invested \$317,533 thousand (EUR 7,788 thousand) in this entity.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the associates' financial statements audited by the auditors for the same years.

The summarized financial information in respect of the Group's jointly controlled entities is set out below:

	December 31	
	2014	2013
Current assets	<u>\$ 5,581,806</u>	<u>\$ 6,861,224</u>
Non-current assets	<u>\$ 4,775,297</u>	<u>\$ 3,993,348</u>
Current liabilities	<u>\$ 3,989,281</u>	<u>\$ 5,268,150</u>
Non-current liabilities	<u>\$ 308,555</u>	<u>\$ 334,425</u>
	2014	2013
Profit (loss) for the year ended December 31	<u>\$ (63,865)</u>	<u>\$ 424,256</u>
Other comprehensive gain (loss) for the year ended December 31	<u>\$ 127,362</u>	<u>\$ (13,121)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvement	Buildings	Machinery	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2013	\$ 2,144,980	\$ 101,310	\$ 4,587,609	\$ 23,724,457	\$ 1,691,647	\$ 397,673	\$ 32,647,676
Additions	-	152	22,361	66,913	112,166	931,061	1,132,653
Disposals	(6,368)	-	(5,125)	(368,405)	(117,723)	(528)	(498,149)
Reclassification	(13,833)	2,668	13,388	628,383	19,573	(664,012)	(13,833)
Effect of foreign currency exchange differences	-	-	(2,164)	(13,553)	(26,223)	382	(41,558)
Balance at December 31, 2013	<u>\$ 2,124,779</u>	<u>\$ 104,130</u>	<u>\$ 4,616,069</u>	<u>\$ 24,037,795</u>	<u>\$ 1,679,440</u>	<u>\$ 664,576</u>	<u>\$ 33,226,789</u>

(Continued)

	Land	Land Improvement	Buildings	Machinery	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2013		\$ 89,779	\$ 3,204,479	\$ 22,498,824	\$ 1,368,223	\$ -	\$ 27,161,305
Disposals		-	(1,372)	(366,114)	(78,339)	-	(445,825)
Depreciation expense and impairment losses		2,399	124,238	395,019	91,089	-	612,745
Effect of foreign currency exchange differences		-	2,869	(77,162)	20,269	-	(54,024)
Balance at December 31, 2013		<u>\$ 92,178</u>	<u>\$ 3,330,214</u>	<u>\$ 22,450,567</u>	<u>\$ 1,401,242</u>	<u>\$ -</u>	<u>\$ 27,274,201</u>
Carrying amounts at December 31, 2013	<u>\$ 2,124,779</u>	<u>\$ 11,952</u>	<u>\$ 1,285,855</u>	<u>\$ 1,587,228</u>	<u>\$ 278,198</u>	<u>\$ 664,576</u>	<u>\$ 5,952,588</u>
<u>Cost</u>							
Balance at January 1, 2014	\$ 2,124,779	\$ 104,130	\$ 4,616,069	\$ 24,037,795	\$ 1,679,440	\$ 664,576	\$ 33,226,789
Additions	-	222	21,378	51,935	102,943	1,098,697	1,275,175
Disposals	-	-	(229)	(688,797)	(94,563)	(1,956)	(785,545)
Reclassification	350	805	124,686	853,781	34,460	(1,016,375)	(2,293)
Effect of foreign currency exchange differences	-	-	37,799	(7,190)	64,239	4,301	99,149
Balance at December 31, 2014	<u>\$ 2,125,129</u>	<u>\$ 105,157</u>	<u>\$ 4,799,703</u>	<u>\$ 24,247,524</u>	<u>\$ 1,786,519</u>	<u>\$ 749,243</u>	<u>\$ 33,813,275</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2014		\$ 92,178	\$ 3,330,214	\$ 22,450,567	\$ 1,401,242	\$ -	\$ 27,274,201
Disposals		-	(182)	(675,119)	(64,172)	-	(739,473)
Depreciation expense and impairment losses		2,704	120,951	512,078	88,517	-	724,250
Effect of foreign currency exchange differences		-	10,688	48,674	4,203	-	63,565
Balance at December 31, 2014		<u>\$ 94,882</u>	<u>\$ 3,461,671</u>	<u>\$ 22,336,200</u>	<u>\$ 1,429,790</u>	<u>\$ -</u>	<u>\$ 27,322,543</u>
Carrying amounts at December 31, 2014	<u>\$ 2,125,129</u>	<u>\$ 10,275</u>	<u>\$ 1,338,032</u>	<u>\$ 1,911,324</u>	<u>\$ 356,729</u>	<u>\$ 749,243</u>	<u>\$ 6,490,732</u>

(Concluded)

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

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

<u>Category</u>	<u>Year</u>
Land improvement	3-20 years
Buildings	2-60 years
Machinery	2-24 years
Other equipment	2-17 years

The amount set for fixed assets pledged as collateral is shown in Note 23.

13. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2013	\$ 1,802,028
Transferred from property, plant and equipment	<u>13,833</u>

Balance at December 31, 2013	<u>\$ 1,815,861</u>
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Accumulated depreciation and impairment

Balance at January 1, 2013	\$ (318,672)
Depreciation expense	(15,694)
Impairment losses	<u>(25,000)</u>

Balance at December 31, 2013	<u>\$ (359,366)</u>
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Carrying amounts at December 31, 2013	<u>\$ 1,456,495</u>
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Cost

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

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

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

Balance at December 31, 2014	<u>\$ (374,690)</u>
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Carrying amounts at December 31, 2014	<u>\$ 1,441,857</u>
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The investment properties held by the Group were depreciated over their estimated 10-60 years useful life, using the straight-line method.

The fair value of investment properties of the Group were \$2,407,586 thousand and \$2,354,850 thousand as of December 31, 2014 and 2013, respectively. Except for a part of investment properties appraised by the independent valuer, Po Hung Chen, as of December 31, 2014, others as of December 31, 2014 and 2013 were appraised by the management using evaluation model which the market participants frequently used. The valuer's valuation was reference to similar properties' marker transaction and the valuer used weighted analysis of cost and revenue method (assuming discount rate is 3.22% and capitalization rate is 2.24%). According to the valuation result, the Group recognized \$25,000 thousand of impairment losses in 2013.

The amount set for fixed assets pledged as collateral is shown in Note 23.

14. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Secured borrowings</u>		
Bank loans	\$ 510,000	\$ 556,000
<u>Unsecured borrowings</u>		
Fiduciary loans	<u>139,737</u>	<u>412,034</u>
	<u>\$ 649,737</u>	<u>\$ 968,034</u>

- a. The range of interest rate on bank loans was 1.14%-1.86% and 1.15%-2% per annum as of December 31, 2014 and 2013, respectively.
- b. The range of interest rate on line of credit borrowings was 1.2%-2.27% and 1.4%-7.2% per annum as of December 31, 2014 and 2013, respectively.

15. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

Subsidiaries in Mainland China contribute a percentage of salaries as pensions which is following the rule of local government

- b. Defined benefit plans

The Corporation and Kian Shen, China Engine, Sino Diamond Motors, COC Tooling & Stamping, Y. M. Hi-Tech Industry Ltd. and Gatetech Technology of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six 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.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2014	2013
Discount rates	1.75%-2%	1.5%-1.875%
Expected return on plan assets	1.75%-2%	1.2%-2%
Expected return on reimbursement rights	1%-2.5%	1%-2.5%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	2013
Service cost	\$ 50,901	\$ 56,248
Interest cost	40,909	36,983
Expected return on plan assets	(2,974)	(2,619)
Past service cost	<u>206</u>	<u>-</u>
	<u>\$ 89,042</u>	<u>\$ 90,612</u>

Defined benefit expenses of \$1,503 thousand in 2014 and \$2,001 thousand in 2013 referred to associates and were accounted for as the Corporation's payment made on behalf of others.

An analysis of the defined benefit plans by function is as follows:

	For the Year Ended December 31	
	2014	2013
An analysis by function		
Operating cost	\$ 50,991	\$ 52,160
Selling and marketing expenses	3,103	3,676
General and administrative expenses	8,782	8,202
Research and development expenses	<u>24,663</u>	<u>24,573</u>
	<u>\$ 87,539</u>	<u>\$ 88,611</u>

Actuarial gains and losses recognized in other comprehensive income (net of income tax) for the years ended December 31, 2014 and 2013 was \$20,585 thousand in loss and \$116,389 thousand in gain, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$127,071 thousand and \$106,486 thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 2,231,517	\$ 2,193,263
Fair value of plan assets	<u>(147,356)</u>	<u>(142,008)</u>
Accrued pension liabilities	<u>\$ 2,084,161</u>	<u>\$ 2,051,255</u>

Movements in the present value of the defined benefit obligations were as follows:

	2014	2013
Opening defined benefit obligation	\$ 2,193,263	\$ 2,295,237
Service cost	50,901	56,248
Interest cost	40,909	36,983
Actuarial losses (gains)	25,038	(141,150)
Liabilities extinguished on settlements	-	(2,238)
Past service cost	206	-
Benefits paid	<u>(78,800)</u>	<u>(51,817)</u>
Closing defined benefit obligation	<u>\$ 2,231,517</u>	<u>\$ 2,193,263</u>

Movements in the fair value of the plan assets were as follows:

	2014	2013
Opening fair value of plan assets	\$ 142,008	\$ 132,870
Expected return on plan assets	2,974	2,619
Actuarial gains (losses)	237	(922)
Contributions from the employer	34,382	30,525
Benefits paid	(32,245)	(23,010)
Assets distributed on settlements	<u>-</u>	<u>(74)</u>
Closing fair value of plan assets	<u>\$ 147,356</u>	<u>\$ 142,008</u>

Actual returns on plan assets for the years ended December 31, 2014 and 2013 were \$3,211 thousand and \$1,697 thousand, respectively.

The percentage of plan assets at the end of the reporting period for each category was disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31	
	2014	2013
Equity instruments	49.69%	44.77%
Cash	19.12%	22.86%
Fix-income investment	14.46%	18.11%
Debt instruments	11.92%	9.37%
Others	<u>4.81%</u>	<u>4.89%</u>
	<u>100.00%</u>	<u>100.00%</u>

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ 2,231,517</u>	<u>\$ 2,193,263</u>	<u>\$ 2,295,237</u>	<u>\$ 2,004,049</u>
Fair value of plan assets	<u>\$ 147,356</u>	<u>\$ 142,008</u>	<u>\$ 132,870</u>	<u>\$ 131,315</u>
Deficit	<u>\$ 2,084,161</u>	<u>\$ 2,051,255</u>	<u>\$ 2,162,367</u>	<u>\$ 1,872,734</u>
Experience adjustments on plan liabilities	<u>\$ 25,419</u>	<u>\$ (140,040)</u>	<u>\$ 266,971</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 237</u>	<u>\$ (922)</u>	<u>\$ (1,553)</u>	<u>\$ -</u>

The Group expects to make a contribution of \$24,184 thousand and \$27,388 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

16. EQUITY

a. Ordinary shares

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Amount of shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,384,051</u>	<u>1,384,051</u>
Shares issued	<u>\$ 13,840,508</u>	<u>\$ 13,840,508</u>

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

b. Capital surplus

	December 31	
	2014	2013
Share premium from issuance	\$ 6,368,843	\$ 6,368,843
Change in capital surplus from investments in associates and joint ventures accounted for using equity method	18,860	3,359
Other	<u>4,666</u>	<u>4,666</u>
	<u>\$ 6,392,369</u>	<u>\$ 6,376,868</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares) 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 every year).

The capital surplus from long-term investments may not be used for any purpose.

c. Retained earnings and dividend policy

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

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

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

For 2014 and 2013, the bonuses to employees were estimated at \$12,876 thousand and \$16,680 thousand, respectively, and the remunerations to directors and supervisors were estimated at \$11,512 thousand and \$11,393 thousand, respectively, which represented 0.1% to 5.0% and 0.5%, respectively, of net income (net of the bonus and remuneration). Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. Fair value of the shares refers to the closing price after considering the effect of cash and stock dividends of the shares on the day immediately preceding the shareholders' meeting.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items. The Corporation also appropriates and reverses a special reserve in accordance with Rule No. 1030006415 issued by the FSC.

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

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation when appropriating the earnings after 1998.

The reversal and recognition of a special reserve of \$316,006 thousand were approved in the shareholders' meetings in June 2014 and June 2013, respectively.

The appropriations from the 2013 and 2012 earnings and the bonus to employees and the remuneration to directors and supervisors for 2013 and 2012 were approved in the stockholders' meetings in June 2014 and June 2013, respectively. The appropriations and dividends per share, the bonus to employees and the remuneration to directors and supervisors were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2013	For Year 2012	For Year 2013	For Year 2012
Legal reserve	\$ 253,188	\$ 215,644	\$ -	\$ -
Cash dividends	1,522,456	1,245,646	1.1	0.9
		2013		2012
Bonus to employees		\$ 16,680		\$ 1,941
Remuneration to directors and supervisors		11,393		9,704

The appropriations of earnings for 2012 were proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

The bonus to employees and remuneration to the directors and supervisors approved by the stockholders were the same as the accrued amounts shown in the financial statements.

The appropriation of the earnings was proposed by the board of directors on March 23, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 255,829	\$-
Cash dividends	1,591,658	1.15

The appropriations of 2014 earnings, the bonus to employees and the remuneration to directors and supervisors for 2014 are subject to the resolution of the stockholders meeting to be held in June 2015.

Information on the bonus to employees and the remuneration to directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

- d. Special reserve appropriated under Rule No. 1010012865 issued by the FSC

	December 31	
	2014	2013
Special reserve	<u>\$ 1,057,002</u>	<u>\$ 1,057,002</u>

Information on the special reserve appropriated or reversal of the above mentioned special reserve resulted from elimination of the original appropriation circumstances was as follows:

	2013	
Balance at January 1		\$ 1,057,024
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of property, plant and equipment		<u>(22)</u>
Balance at December 31		<u>\$ 1,057,002</u>
e. Others equity items		
1) Exchange differences on translating foreign operations		
	2014	2013
Balance at January 1	\$ 192,209	\$ (368,073)
Exchange difference arising on translating the foreign operation	(2,975)	2,500
Share of exchange differences on translating foreign operations of associates and joint ventures accounted for using the equity method	<u>561,327</u>	<u>557,782</u>
Balance at December 31	<u>\$ 750,561</u>	<u>\$ 192,209</u>
2) Unrealized gain (loss) on available-for-sale financial assets		
	2014	2013
Balance at January 1	\$ 798,854	\$ (327,970)
Unrealized gain arising on revaluation of available-for-sale financial assets	248,114	1,023,953
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates and joint ventures accounted for using the equity method	<u>(11,167)</u>	<u>102,871</u>
Balance at December 31	<u>\$ 1,035,801</u>	<u>\$ 798,854</u>
3) Cash flow hedge		
	2014	2013
Balance at January 1	\$ -	\$ (48,706)
Transferred to initial carrying amount of hedged items		
Forward foreign exchange contracts	<u>-</u>	<u>48,706</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 2,713,774	\$ 2,505,351
Attributable to non-controlling interests:		
Share of profit for the year	263,422	219,144
Exchange difference arising on translation of foreign entities	69,039	85,858
Unrealized loss on available-for-sale financial assets	-	(1)
Actuarial loss on defined benefit plans	(2,787)	(7,329)
Income tax related to actuarial gains and losses	474	1,246
Acquisition of non-controlling interests in subsidiaries	(194)	(24,242)
Cash dividends to subsidiaries' shareholder	<u>(85,108)</u>	<u>(66,253)</u>
Balance at December 31	<u>\$ 2,958,620</u>	<u>\$ 2,713,774</u>

17. NET PROFIT

Net profit concludes as follow:

a. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
An analysis of depreciation by function		
Operating cost	\$ 589,225	\$ 480,095
Operating expenses	<u>138,529</u>	<u>148,344</u>
	<u>\$ 727,754</u>	<u>\$ 628,439</u>
An analysis of amortization by function		
Operating cost	\$ 1,554	\$ 2,204
Selling and marketing expenses	9,433	12,005
General and administrative expenses	16,482	33,309
Research and development expenses	<u>60,613</u>	<u>56,676</u>
	<u>\$ 88,082</u>	<u>\$ 104,194</u>

b. Employee benefit expense

	For the Year Ended December 31	
	2014	2013
Post-employment benefits		
Defined contribution plans	\$ 83,934	\$ 82,480
Defined benefit plans	<u>87,539</u>	<u>88,611</u>
	171,473	171,091
Short-term benefits	<u>3,859,794</u>	<u>3,503,189</u>
	<u>\$ 4,031,267</u>	<u>\$ 3,674,280</u>

(Continued)

	For the Year Ended December 31	
	2014	2013
An analysis of employee benefit expenses by function		
Operating costs	\$ 2,222,836	\$ 2,015,493
Operating expenses	<u>1,808,431</u>	<u>1,658,787</u>
	<u>\$ 4,031,267</u>	<u>\$ 3,674,280</u>
		(Concluded)

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	\$ 296,104	\$ 269,153
In respect of prior periods	<u>2,282</u>	<u>(9,636)</u>
	<u>298,386</u>	<u>259,517</u>
Deferred tax		
In respect of the current year	119,666	57,098
In respect of prior periods	<u>135</u>	<u>(1,689)</u>
	<u>119,801</u>	<u>55,409</u>
Income tax expense recognized in profit or loss	<u>\$ 418,187</u>	<u>\$ 314,926</u>

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

	For the Year Ended December 31	
	2014	2013
Profit before tax	<u>\$ 3,239,899</u>	<u>\$ 3,065,948</u>
Income tax expense calculated at the tax rate (17%)	\$ 550,783	\$ 521,211
Tax-exempt income	(231,526)	(217,723)
Additional income tax on unappropriated earnings	137,518	86,148
Unrecognized investment credits	(882)	(138,001)
Unrecognized deductible temporary differences	(15,530)	28,530
Investment credits	(83,159)	-
Unrecognized loss carryforward	1,038	15,550
Effect of different tax rate of group entities operating in other jurisdictions	65,174	32,935
Adjustments for prior years' tax	2,309	(11,325)
Others	<u>(7,538)</u>	<u>(2,399)</u>
Income tax expense recognized in profit or loss	<u>\$ 418,187</u>	<u>\$ 314,926</u>

The Group applied 17% tax rate by the ROC tax law. Subsidiaries in China applied 25% tax rate by China tax law and other entities applied tax rates by tax laws of local jurisdictions.

The potential effect of additional income tax on unappropriated earnings in 2014 could not be reliably assured by the uncertainty of earnings distribution in meeting.

c. Current tax assets and liabilities

	December 31	
	2014	2013
<u>Current tax assets (included in other current assets)</u>		
Tax refund receivable	\$ 11,662	\$ 30,919
Prepayment tax	<u>143</u>	<u>465</u>
	<u>\$ 11,805</u>	<u>\$ 31,384</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 293,807</u>	<u>\$ 269,733</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, 2014

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit plan	\$ 341,238	\$ 6,008	\$ 604	\$ 347,850
Other payable	28,642	1,331	-	29,973
Property, plant and equipment	40,144	(15,987)	-	24,157
Inventory	21,783	4,167	-	25,950
Other	<u>57,395</u>	<u>(20,671)</u>	<u>-</u>	<u>36,724</u>
	489,202	(25,152)	604	464,654
Loss carryforwards	<u>171,963</u>	<u>-</u>	<u>-</u>	<u>171,963</u>
	<u>\$ 661,165</u>	<u>\$ (25,152)</u>	<u>\$ 604</u>	<u>\$ 636,617</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Other	<u>\$ 110,383</u>	<u>\$ 30,257</u>	<u>\$ 24,443</u>	<u>\$ 165,083</u>

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

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Loss carryforwards		
Expiry in 2017	\$ 125,129	\$ 170,540
Expiry in 2018	255,854	271,132
Expiry in 2019	121,375	135,278
Expiry in 2020	326,942	326,942
Expiry in 2021	460,748	497,449
Expiry in 2022	173,152	178,398
Expiry in 2023	106,374	92,947
Expiry in 2024	<u>56,756</u>	<u>-</u>
	<u>\$ 1,626,330</u>	<u>\$ 1,672,686</u>
Investment credits		
Purchase of machinery and equipment	<u>\$ -</u>	<u>\$ 920</u>
Deductible temporary differences	<u>\$ 3,135,897</u>	<u>\$ 3,139,857</u>

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2014 comprised:

Unused Amount	Expiry Year
\$ 125,129	2017
552,295	2018
121,375	2019
326,942	2020
460,748	2021
173,152	2022
106,374	2023
<u>56,756</u>	2024
<u>\$ 1,922,771</u>	

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

As of December 31, 2014 and 2013, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$366,543 thousand and \$285,740 thousand, respectively.

h. Integrated income tax

	December 31	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated on and before December 31, 1997	\$ 4,357,331	\$ 4,357,331
Unappropriated earnings generated on and after January 1, 1998	<u>13,412,444</u>	<u>12,443,593</u>
	<u>\$ 17,769,775</u>	<u>\$ 16,800,924</u>
Imputation credit account ("ICA")	<u>\$ 1,709,095</u>	<u>\$ 1,605,949</u>

The creditable ratios for the distribution of earnings of 2014 and 2013 were 14.27% (expected ratio) and 15.13% (actual ratio), respectively. The creditable ratio for individual shareholders residing in the ROC will be half of the original creditable ratio that is based on the revised Article 66-6 of the Income Tax Law and will take effect on January 1, 2015.

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

i. Income tax assessment

The tax returns of the Corporation through 2011 have been assessed by the tax authorities.

19. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2014	2013
Basic earnings per share	<u>\$ 1.88</u>	<u>\$ 1.86</u>
Diluted earnings per share	<u>\$ 1.88</u>	<u>\$ 1.86</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2014	2013
Profit for the period attributable to owners of the Corporation	<u>\$ 2,558,290</u>	<u>\$ 2,531,878</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2014	2013
Weighted average number of ordinary shares in computation of basic earnings per share	1,384,051	1,384,051
Weighted average number of ordinary shares adjustment of associates' shares	<u>(20,439)</u>	<u>(20,439)</u>
	<u>1,363,612</u>	<u>1,363,612</u>
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees	<u>748</u>	<u>613</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,364,360</u>	<u>1,364,225</u>

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

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

20. 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.

21. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

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

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ 90,187	\$ 72,551	\$ -	\$ 162,738
Nonderivative financial assets held for trading	<u>900,798</u>	<u>-</u>	<u>-</u>	<u>900,798</u>
	<u>\$ 990,985</u>	<u>\$ 72,551</u>	<u>\$ -</u>	<u>\$ 1,063,536</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	\$ 93,844	\$ -	\$ -	\$ 93,844
Securities listed - ROC	28,665	-	-	28,665
Securities - other countries	-	-	584,206	584,206
Unlisted securities - ROC	<u>1,228,178</u>	<u>-</u>	<u>-</u>	<u>1,228,178</u>
Mutual funds	<u>\$ 1,350,687</u>	<u>\$ -</u>	<u>\$ 584,206</u>	<u>\$ 1,934,893</u> (Concluded)

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

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

Financial instruments at FVTPL

	2014	2013
<u>Financial assets (liabilities)</u>		
Balance at January 1	\$ -	\$ (112,337)
Purchase	126	-
Recognized in profit or loss	<u>(70)</u>	<u>112,337</u>
Balance at December 31	<u>\$ 56</u>	<u>\$ -</u>

Available-for-sale financial assets

	2014	2013
<u>Financial assets</u>		
Balance at January 1	\$ 584,206	\$ 582,787
Recognized in other comprehensive income	<u>82,819</u>	<u>1,419</u>
Balance at December 31	<u>\$ 667,025</u>	<u>\$ 584,206</u>

Derivative financial instruments for hedging

	2014	2013
<u>Financial liabilities for hedging</u>		
Balance at January 1	\$ -	\$ (48,706)
Recognized in other comprehensive income	<u>-</u>	<u>48,706</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

4) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices. For those instruments with no quoted market prices, the fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants.
- b) The fair values of derivative instruments were not available; thus, a discounted cash flow analysis was performed using the yield curve applicable to the reporting period. The fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants.
- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	December 31	
	2014	2013
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 571,443	\$ 900,798
Designated as at FVTPL	59,700	162,738
Loans and receivables (Note 1)	15,581,281	15,190,707
Available-for-sale financial assets (Note 2)	2,888,455	2,604,625
<u>Financial liabilities</u>		
Amortized cost (Note 3)	6,958,679	7,492,420

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

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Exchange rate risk

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

Sensitivity analysis

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

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

	USD to NTD	
	For the Year Ended December 31	
	2014	2013
Loss	\$ (6,876)	\$ (7,484)
	USD to RMB	
	For the Year Ended December 31	
	2014	2013
Gain	\$ 829	\$ 1,322
	JPY to NTD	
	For the Year Ended December 31	
	2014	2013
Gain	\$ 3,063	\$ 3,652
	RMB to NTD	
	For the Year Ended December 31	
	2014	2013
Loss	\$ (14,263)	\$ (14,979)

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.

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Fair value interest rate risk		
Financial assets	\$ 1,375,818	\$ 726,311
Cash flow interest rate risk		
Financial assets	11,328,119	11,061,725
Financial liabilities	819,607	1,313,548

Sensitivity analysis

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

Had interest rates been 1% higher and had all other variables been held constant, the Group's pre-tax profit would have increased by \$105,085 thousand in 2014 and \$97,482 thousand in 2013.

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

c) Other price risk

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

Sensitivity analysis

The Group assesses equity price risk using sensitivity analysis.

The following sensitivity analysis was based on the exposure to equity price risk at the end of the reporting period. Had equity prices been 5% lower, the fair values of available-for-sale investments and held-for-trading investments would have decreased by \$116,230 thousand and \$114,211 thousand as of December 31, 2014 and 2013, respectively.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counter-parties or third parties breach financial instrument contracts. Management believes its exposure to default by these parties is low.

3) Liquidity risk

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

22. TRANSACTIONS WITH RELATED PARTIES

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

a. Revenue

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	\$ 23,007,461	\$ 22,835,513
Investors that have significant influence over the Corporation	<u>750,616</u>	<u>1,067,737</u>
	<u>\$ 23,758,077</u>	<u>\$ 23,903,250</u>

b. Purchases of goods

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	\$ 3,163,473	\$ 4,286,106
Investors that have significant influence over the Corporation	<u>3,034,599</u>	<u>2,509,491</u>
	<u>\$ 6,198,072</u>	<u>\$ 6,795,597</u>

c. Technical service expense (included in cost of goods sold and marketing expenses)

Related Parties Types	For the Year Ended December 31	
	2014	2013
Investors that have significant influence over the Corporation	<u>\$ 176,080</u>	<u>\$ 181,236</u>

d. Development expense (included in research and development expenses)

Related Parties Types	For the Year Ended December 31	
	2014	2013
Investors that have significant influence over the Corporation	<u>\$ 58,852</u>	<u>\$ 41,448</u>

e. Other expense (included in general and administrative expenses)

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	\$ 63,235	\$ 69,357
Investors that have significant influence over the Corporation	<u>-</u>	<u>326,478</u>
	<u>\$ 63,235</u>	<u>\$ 395,835</u>

f. Receivables from related parties

Related Parties Types	December 31	
	2014	2013
Associates	\$ 1,501,928	\$ 1,747,726
Investors that have significant influence over the Corporation	<u>58,900</u>	<u>98,829</u>
	<u>\$ 1,560,828</u>	<u>\$ 1,846,555</u>

g. Prepayments (included in other current assets)

Related Parties Types	December 31	
	2014	2013
Associates	\$ 104,805	\$ 158,245
Investors that have significant influence over the Corporation	<u>36,164</u>	<u>11,556</u>
	<u>\$ 140,969</u>	<u>\$ 169,801</u>

h. Payables to related parties

Related Parties Types	December 31	
	2014	2013
Associates	\$ 643,778	\$ 690,766
Investors that have significant influence over the Corporation	<u>181,708</u>	<u>118,389</u>
	<u>\$ 825,486</u>	<u>\$ 809,155</u>

i. Deposit in advance (included in other current liabilities)

Related Parties Types	December 31	
	2014	2013
Associates	<u>\$ 102,194</u>	<u>\$ 25,589</u>

The outstanding payables to related parties had no guarantees but would be paid in cash. The Group received guarantees on the receivables from some of the related parties. In addition, the Group did not recognize allowance for doubtful accounts for 2014 and 2013.

Except for the royalty received from Soueast-motor Co., Ltd. in accordance with the authorities of Mainland China, other transactions with related parties have the same terms for pricing, receipts and payments as of those for the third parties. Lease contracts with related parties are based on market conditions, and the terms of receipts or payments were the same as those for the third parties.

The Group signed contract with Mitsubishi Motor Corp. (MMC). Please refer to Note 24.

j. Compensation of key management personnel

The remuneration of directors and key management personnel were as follow:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 153,536	\$ 127,333
Post-employment benefits	<u>2,891</u>	<u>2,806</u>
	<u>\$ 156,427</u>	<u>\$ 130,139</u>

The remuneration of directors and key executives was determined by the remuneration committee on the basis of individual performance and market trends.

23. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2014	2013
Property, plant and equipment	\$ 802,434	\$ 806,375
Other current assets	116,510	114,449
Investment properties	<u>54,591</u>	<u>54,591</u>
	<u>\$ 973,535</u>	<u>\$ 975,415</u>

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2014 were as follows:

- Guarantee notes amounting to \$4,877,200 thousand, which had been issued to financial institutions as collaterals for loans; unused letters of credit amounted to \$21,945 thousand.
- Certain fees received by MMC for providing the Group with technical assistance in the manufacture of automobiles and in minor revisions of certain car models, as stated in several agreements with the latest expiry in November 2021.
- The status of endorsements/guarantees was listed in Table 2.

25. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2014

	Foreign Currencies	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 23,567	31.6500	\$ 745,907
	4,311	6.2156 (USD:RMB)	136,435
JPY	88,246	0.2646	23,350
RMB	295,682	5.0920	<u>1,505,610</u>
			<u>\$ 2,411,302</u>
<u>Financial liabilities</u>			
Monetary items			
USD	1,843	31.6500	\$ 58,324
	6,931	6.2156 (USD:RMB)	219,359
JPY	1,245,664	0.2646	329,603
RMB	15,578	5.0920	<u>79,325</u>
			<u>\$ 686,611</u>

December 31, 2013

	Foreign Currencies	Exchange Rate (Note)	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 27,196	29.8050	\$ 810,569
	2,241	6.0969 (USD:RMB)	66,793
JPY	135,238	0.2839	38,394
RMB	317,040	4.8886	<u>1,549,866</u>
			<u>\$ 2,465,622</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,087	29.8050	\$ 62,202
	6,675	6.0969 (USD:RMB)	198,948
JPY	1,421,766	0.2839	403,639
RMB	10,639	4.8886	<u>52,007</u>
			<u>\$ 716,796</u>

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

26. SEPARATELY DISCLOSED ITEMS

Excluded in Note 7 and Tables 1 to 10, there was no other separately disclosed items.

27. 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.

	<u>Segment Revenues</u>		<u>Segment Income or Loss</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Vehicle manufacturing	\$ 32,005,676	\$ 31,294,987	\$ 3,199,806	\$ 3,084,312
Channel	4,188,945	4,598,776	(46,795)	(75,951)
Others	32,357	3,614	55,534	(45,733)
Adjustment and eliminations	<u>(275,551)</u>	<u>(357,552)</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,951,427</u>	<u>\$ 35,539,825</u>	3,208,545	2,962,628
Administration cost and remunerations to directors and supervisors			(259,966)	(221,551)
Other non-operating income and expenses, net			<u>291,320</u>	<u>324,871</u>
Profit before income tax			<u>\$ 3,239,899</u>	<u>\$ 3,065,948</u>

Intersegment transactions were accounted for according to market prices.

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

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Notes 1 and 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	China Motor Corporation	Sino Diamond Motors	Other receivable	Yes	\$ 500,000	\$ 500,000	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,453,259 (Note 2)	\$ 9,688,392 (Note 3)
1	Sino Diamond Motors	Hwa Wei Holdings	Other receivable	Yes	53,805 (US\$ 1,700 thousand)	-	-	2.00	Short-term financing	-	Working capital	-	-	-	1,210,142 (Note 4)	1,210,142 (Note 4)
2	Hwa-Lin	Sichuan Huafeng Hanwei	Other receivable	Yes	37,980 (US\$ 1,200 thousand)	37,980 (US\$ 1,200 thousand)	37,980 (US\$ 1,200 thousand)	2.00	Short-term financing	-	Working capital	-	-	-	1,453,259 (Note 2)	9,688,392 (Note 3)
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	62,034 (US\$ 1,960 thousand)	62,034 (US\$ 1,960 thousand)	62,034 (US\$ 1,960 thousand)	2.00	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	147,107 (US\$ 3,570 thousand)	147,107 (US\$ 3,570 thousand)	143,126 (US\$ 3,515 thousand)	2-3	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwarui	Other receivable	Yes	15,825 (US\$ 500 thousand)	-	-	2.00	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Sales	Other receivable	Yes	29,024 (RMB 5,700 thousand)	29,024 (RMB 5,700 thousand)	-	5.679	Short-term financing	-	Working capital	-	-	-	"	"
3	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Other receivable	Yes	509,200 (RMB 100,000 thousand)	509,200 (RMB 100,000 thousand)	358,986 (RMB 70,500 thousand)	5.40	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwahong	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	10,184 (RMB 2,000 thousand)	2.90	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
4	Sichuan Huafeng Hanwei	Sichuan Lingwei	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	9,486 (RMB 1,863 thousand)	5.40	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Hauwei	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	922 (RMB 181 thousand)	5.40	Short-term financing	-	Working capital	-	-	-	"	"

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Notes 1 and 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
		Tianjin Hwahong	Other receivable	Yes	\$ 50,920 (RMB 10,000 thousand)	\$ 50,920 (RMB 10,000 thousand)	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,453,259 (Note 2)	\$ 9,688,392 (Note 3)
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	152,760 (RMB 30,000 thousand)	152,760 (RMB 30,000 thousand)	40,736 (RMB 8,000 thousand)	2.90	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	152,760 (RMB 30,000 thousand)	152,760 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
5	Tianjin Hwarui	Tianjin Hwahong	Other receivable	Yes	254,600 (RMB 50,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	152,760 (RMB 30,000 thousand)	152,760 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	152,760 (RMB 30,000 thousand)	152,760 (RMB 30,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
6	Tianjin Hwahong	Tianjin Hwarui	Other receivable	Yes	254,600 (RMB 50,000 thousand)	254,600 (RMB 50,000 thousand)	107,553 (RMB 21,122 thousand)	5.40	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huashun	Other receivable	Yes	76,380 (RMB 15,000 thousand)	76,380 (RMB 15,000 thousand)	63,650 (RMB 12,500 thousand)	2.90	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	76,380 (RMB 15,000 thousand)	76,380 (RMB 15,000 thousand)	-	3.10	Short-term financing	-	Working capital	-	-	-	"	"
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	6.44	Short-term financing	-	Working capital	-	-	-	"	"
7	Dongguan Huayi	Dongguan Huashun	Other receivable	Yes	254,600 (RMB 50,000 thousand)	254,600 (RMB 50,000 thousand)	18,667 (RMB 3,666 thousand)	5.04	Short-term financing	-	Working capital	-	-	-	"	"
8	Dongguan Huashun	Yangjiang Huaching	Other receivable	Yes	50,920 (RMB 10,000 thousand)	-	-	5.04	Short-term financing	-	Working capital	-	-	-	"	"
		Dongguan Huayi	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	5.04	Short-term financing	-	Working capital	-	-	-	"	"
		Sichuan Huafeng Hanwei	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"
		Tianjin Hwahong	Other receivable	Yes	50,920 (RMB 10,000 thousand)	50,920 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	"	"

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Notes 1 and 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
		Guangzhou Huayou Motor Maintenance	Other receivable	Yes	\$ 50,920 (RMB 10,000 thousand)	\$ 50,920 (RMB 10,000 thousand)	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 1,453,259 (Note 2)	\$ 9,688,392 (Note 3)
9	CMI	Hwa Wei Holdings	Other receivable	Yes	1,200,000	1,200,000	1,200,000	2.00	Short-term financing	-	Working capital	-	-	-	"	"
10	GH	Gatech (Suzhou) Technology	Other receivable	Yes	47,475 (US\$ 1,500 thousand)	47,475 (US\$ 1,500 thousand)	-	5.00	Short-term financing	-	Working capital	-	-	-	"	"

Note 1: At exchange rate on December 31, 2014, US\$1=\$31.65, RMB1=\$5.092.

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

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

Note 4: The amount is 40% of the total stockholders' equity of the latest financial statement of Sino Diamond Motors.

Note 5: Eliminated.

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note)	Outstanding Endorsement/ Guarantee at the End of the Period (Note)	Actual Borrowing Amount (Note)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	Sino Diamond Motors	Hwa-Lin	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	\$ 253,200 (US\$ 8,000 thousand)	\$ -	\$ -	\$ -	-	50% of the Corporation's issued capital, \$6,920,254 thousand	No	No	No
		Guangzhou Huayou Motor Maintenance	Subsidiary		1,519,200 (US\$ 48,000 thousand)	1,519,200 (US\$ 48,000 thousand)	-	-	3.14		"	"	Yes
		Sichuan Huafeng Hanwei	Subsidiary		41,145 (US\$ 1,300 thousand)	-	-	-	-		"	"	"
		Tianjin Hwarui	Subsidiary		2,278,800 (US\$ 72,000 thousand)	2,278,800 (US\$ 72,000 thousand)	-	-	4.70		"	"	"
2	Hwa-Lin	Guangzhou Huayou Motor Maintenance	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	84,411 (US\$ 2,667 thousand)	-	-	-	-	50% of the Corporation's issued capital, \$6,920,254 thousand	No	No	Yes
		Sichuan Huafeng Hanwei	Subsidiary		84,411 (US\$ 2,667 thousand)	-	-	-	-		"	"	"
		Tianjin Hwarui	Subsidiary		84,411 (US\$ 2,667 thousand)	-	-	-	-		"	"	"
3	Dongguan Huayi	Dongguan Huashun	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	254,600 (RMB 50,000 thousand)	254,600 (RMB 50,000 thousand)	-	-	0.53	50% of the Corporation's issued capital, \$6,920,254 thousand	No	No	Yes
4	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	254,600 (RMB 50,000 thousand)	254,600 (RMB 50,000 thousand)	-	-	0.53	50% of the Corporation's issued capital, \$6,920,254 thousand	No	No	Yes
5	Tianjin Hwahong	Dongguan Huayi	Subsidiary	20% of the Corporation's issued capital, \$2,768,102 thousand	254,600 (RMB 50,000 thousand)	-	-	-	-	50% of the Corporation's issued capital, \$6,920,254 thousand	No	No	Yes

Note: At exchange rate on December 31, 2014, US\$1 = \$31.65, RMB1 = \$5.092.

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

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

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
China Motor Corporation	<u>Convertible bonds</u>							
	Jinli 1st Convertible Bond	-	Financial assets at fair value through profit or loss - current	320	\$ 30,400	-	\$ 30,400	
	YEM CHIO 6th Convertible Bond	-	"	293	29,300	-	29,300	
	<u>Stocks</u>							
	Gigabyte	-	Financial assets at fair value through profit or loss - current	500	18,500	-	18,500	
	LARGAN	-	"	6	14,370	-	14,370	
	MTK	-	"	30	13,860	-	13,860	
	MSI	-	"	400	13,640	-	13,640	
	Compea Mfg.	-	"	500	8,925	-	8,925	
	Chailease	-	"	100	7,880	-	7,880	
	Catcher	-	"	17	4,191	-	4,191	
	SESDA	-	"	100	3,960	-	3,960	
	Tripod	-	"	50	3,105	-	3,105	
	Kenda	-	"	22	1,425	-	1,425	
	<u>Preferred stock options</u>							
	TC Bank	-	Financial assets at fair value through profit or loss - current	-	56	-	56	
	<u>Beneficial certificates</u>							
	Reliance Securities Investment Trust Private Fund	-	Financial assets at fair value through profit or loss - current	9,699	145,963	-	145,963	
	<u>Beneficial certificates</u>							
	Yuanta De Bao Money Market Fund	-	Available-for-sale financial assets - current	32,502	383,872	-	383,872	
	Fuh-Hwa Mmkt Fund	-	"	12,103	172,021	-	172,021	
	Ctbc Hua Win Money Mkt Fund	-	"	7,446	80,596	-	80,596	
	Sinopac Mmkt Fund	-	"	5,887	80,573	-	80,573	
	Fubon Chi Hsiang Mmkt Fund	-	"	3,284	50,638	-	50,638	
	Hua Nan Phoenix Money Market Fund	-	"	3,137	50,192	-	50,192	
	The RSIT Enhanced Money Market	-	"	4,258	50,089	-	50,089	
	China Oriemt International Fixed Income fund - Segregated portfolio 3	-	"	15	49,433	-	49,433	
	Cathay Emerging China Bond Fund	-	"	4,456	47,879	-	47,879	
	Fubon China Money Market	-	"	743	38,232	-	38,232	
	Fubon China High Yield Bd	-	"	581	31,036	-	31,036	
Ft Sinoam Global Bond Fof -A	-	"	2,226	30,920	-	30,920		

(Continued)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Allianz Gbl Inv All Seasons Hvst FOBF	-	Available-for-sale financial assets - current	2,627	\$ 30,471	-	\$ 30,471	
	UPAMC James Bond Mmkt Fund	-	"	1,850	30,385	-	30,385	
	HSBC Dim Sum High Yield Bond RMB Acc	-	"	2,659	29,782	-	29,782	
	JP Morgan Asia Hiyld Ttl Rt. Bd.	-	"	2,481	29,775	-	29,775	
	ING EMD & High Yield Bond Port	-	"	2,641	29,573	-	29,573	
	Fuh Hwa RMB Bond A	-	"	532	27,746	-	27,746	
	CTBC Gbl Em Mrkt Strategy Bond	-	"	2,000	20,377	-	20,377	
	Cathay Taiwan Money Market Funds	-	"	1,647	20,189	-	20,189	
	UPAMC Great China Small-Mild Cap Fund	-	"	1,830	20,055	-	20,055	
	Franklin Temp Sino Am China	-	"	1,502	15,743	-	15,743	
	Franklin Templeton Sinoam Money Market	-	"	1,006	10,194	-	10,194	
	<u>Stocks</u>							
	TC Bank	-	Available-for-sale financial assets - current	154	1,629	-	1,629	
	<u>Stocks</u>							
	Shye Shyang Machinery Industrial	Corporate directors	Available-for-sale financial assets - noncurrent	9,009	667,025	10.00	667,025	
	Orange Electronic Co., Ltd.	-	"	1,535	145,693	10.00	145,693	
	<u>Stocks</u>							
	Uni-Calsonic	Corporate directors	Financial assets measured at cost	3,549	48,729	18.20	-	
	PAC-LINK BioVentures I	-	"	7,138	39,420	10.00	-	
	PAC-LINK Opportunity Fund	The same chair man	"	19,817	37,900	14.11	-	
	Shin Sheng Venture Capital Investment Corp.	Corporate directors	"	2,452	10,050	9.43	-	
	Taiwan Aerospace	-	"	811	8,107	0.60	-	
	Com2B (Cayman) Corp.	-	"	2,000	5,702	4.44	-	
	Yueki Industrial Co., Ltd.	-	"	16	100	0.08	-	
	NORM Pacific Automation Corp.	-	"	90	-	0.45	-	
	<u>Preferred stock</u>							
	TC Bank	-	Debt investments with no active market	-	290,276	-	290,276	
	<u>Corporate bond</u>							
	ICBC	-	Debt investments with no active market	-	305,520	-	305,520	
	Value Success International	-	"	-	154,527	-	154,527	
	CHIFIN 2.9 03/12/16	-	"	-	152,760	-	152,760	
	Gatetech Technology	Subsidiaries	"	-	150,000	-	150,000	(Note)
	Kunzhi Limited	-	"	-	77,067	-	77,067	
	Sinotrans Sailing Ltd.	-	"	-	76,518	-	76,518	
	China Unicom	-	"	-	51,116	-	51,116	
	Anstock Limited	-	"	-	50,741	-	50,741	
	SBSG 3.675 03/1/15	-	"	-	35,690	-	35,690	
	BEIDAT 5.2 11/30/15 Corp.	-	"	-	25,638	-	25,638	

(Continued)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kian Shen	RESOUR 3 3/4 11/12/15	-	Debt investments with no active market	-	\$ 25,510	-	\$ 25,510	
	BSHBOS 3 3/8 09/28/16	-	"	-	25,391	-	25,391	
	UNIPR 3 1/2 06/06/16	-	"	-	25,364	-	25,364	
	<u>Beneficial certificates</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	688	10,006	-	10,006	
Kian Shen Investment	Mega Diamond Money Market Fund	-	"	406	5,001	-	5,001	
	<u>Stock</u>							
Alliance Investment & Management	Beijing NTN-SEOHAN Driveshaft Co., Ltd.	-	Financial assets measured at cost	-	RMB 3,402 thousand	9.00	-	
	<u>Stocks</u>							
Alliance Investment & Management	Hiroca holding	-	Financial assets at fair value through profit or loss - current	2,023	189,779	2.59	189,779	
	<u>Beneficial certificates</u>							
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,948	94,280	-	94,280	
	<u>Stocks</u>							
	China Fineblanking Technology Co., Ltd.	-	Available-for-sale financial assets - noncurrent	110	3,278	0.24	3,278	
	<u>Stocks</u>							
	Mosa Industrial Corp.	-	Financial assets measured at cost	5,633	97,800	4.26	-	
	Samuel (Cayman) Co., Ltd.	-	"	6,327	92,131	15.07	-	
	CARPLUS Auto Leasing Corporation	-	"	2,590	21,531	3.45	-	
	Acrosser Technology Co., Ltd.	-	"	2,052	13,152	8.01	-	
	AMPAK Technology Inc.	-	"	412	11,524	0.55	-	
	United Oriental Glass Ind. Co., Ltd.	-	"	533	11,199	1.33	-	
	Solidlite Corporation	-	"	789	8,744	3.60	-	
	Phalanx Biotech Group	-	"	696	7,658	3.57	-	
	T-Car Inc.	-	"	234	6,386	0.50	-	
	Tennrich International Corp.	-	"	523	5,588	0.86	-	
	Gongin Precision Industrial Co., Ltd.	-	"	320	4,669	0.70	-	
	Nitring Enterprise, Inc.	-	"	366	4,392	1.83	-	
	Industrial Technology Investment Corporation.	-	"	474	1,518	1.67	-	
	Jouge Technology Co., Ltd.	-	"	205	987	0.76	-	
Site information service	-	"	65	968	0.54	-		
Chao Peng Optronics Co, Ltd.	-	"	88	1	0.81	-		
Greentrans	<u>Preferred stock</u>							
	Apexigen Inc.	-	Financial assets measured at cost	234	1,280	-	-	
	General Rich International S.A.	-	"	60	-	-	-	
Greentrans	<u>Beneficial certificates</u>							
	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	185	2,003	-	2,003	

(Continued)

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Sino Diamond Motors	<u>Beneficial certificates</u> Reliance Securities Investment Trust Private Fund	-	Financial assets at fair value through profit or loss - current	99	\$ 1,487	-	\$ 1,487	
	<u>Beneficial certificates</u> CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets - current	5,543	60,000	-	60,000	
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	"	3,610	52,025	-	52,025	
	Prudential Financial Mmkt	-	"	289	4,490	-	4,490	
CMC Investment	<u>Stock</u> Asia Plastic	-	Financial assets at fair value through profit or loss - current	219	7,968	0.09	7,968	
	Carnival	-	"	190	1,528	0.05	1,528	
	TFC	-	"	24	1,339	-	1,339	
	YTEC	-	"	42	475	-	475	
	Uni President	-	"	-	7	-	7	
	<u>Beneficiary certificates</u> Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	801	12,695	-	12,695	
	CTBC Hwa-win Money Market Fund	-	"	831	9,000	-	9,000	
	<u>Stock</u> Myson Century, Inc.	-	Available-for-sale financial assets - noncurrent	4,705	47,282	7.84	47,282	
	<u>Stock</u> Momo.Com Inc.	-	Available-for-sale financial assets - current	325	109,037	-	109,037	
	<u>Stocks</u> PAC-LINK Bio Ventures I	-	Financial assets measured at cost	1,428	7,884	2.00	-	
Tai Yuan Textile	The same chair man	"	186	3,500	0.02	-		
Gatetech Technology	<u>Debt</u> The 2nd period of 2006 Non-cumulative Subordinated Financial Bond, without Maturity Date	-	Debt investments with no active market	-	20,000	-	20,000	

Note: Eliminated

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Other Adjustment (Note 1)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
China Motor Corporation	Stocks DiamlerVans Hong Kong Ltd.	Investments accounted for using the equity method	-	Equity-method investee	33,099	\$ 844,923	7,788	\$ 317,533	-	\$ -	\$ -	\$ -	\$ 75,665	40,887	\$ 1,238,121
Kian Shen Investment Hong Kong Co., Limited	Stocks Xiangyang NTN-YOLON Privertrain	Investments accounted for using the equity method	(Note 2)	Equity-method investee	-	-	-	412,217	-	-	-	-	1,709	-	413,926

Note 1: Including recognizing equity in gains or losses of investees and their equity adjustments.

Note 2: Invested by Kian Shen Investment Hong Kong Co., Limited

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, 2014
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note 2)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 2)	
China Motor Corporation	Fortune Motors	Equity-method investees	Sale	\$ (15,346,199)	(55)	Collect after 16-60 days of delivery	\$ -	-	\$ 689,319	42	
	Shung Ye Motors	Equity-method investees	Sale	(4,005,574)	(14)	Collect after 16-60 days of delivery	-	-	215,527	13	
	Mitsubishi Corp.	Director	Sale	(745,082)	(3)	Collect after 20-80 days of delivery	-	-	58,893	4	
	Y. M. Hi-Tech (Note 1)	Subsidiaries	Sale	(105,660)	-	Collect after 16-45 days of delivery	-	-	29,895	2	
	Mitsubishi Corp.	Director	Purchase	2,500,427	13	Pay after 7 days of cargo ship out	-	-	(66,910)	(3)	
	Uni Auto Parts Manufacture	Equity-method investees	Purchase	622,720	3	Pay after 45 days of the month of delivery	-	-	(135,151)	(5)	
	Kian Shen (Note 1)	Subsidiaries	Purchase	550,409	3	Pay after 45 days of the month of delivery	-	-	(101,891)	(4)	
	COC (Note 1)	Subsidiaries	Purchase	350,772	2	Pay after 45 days of the month of delivery	-	-	(65,632)	(3)	
	Shye Shyang Machinery Industrial	Directors	Purchase	357,497	2	Pay after 45 days of the month of delivery	-	-	(65,896)	(3)	
	ROC-Spicer	Equity-method investees	Purchase	355,773	2	Pay after 45 days of the month of delivery	-	-	(69,135)	(3)	
	China Enging (Note 1)	Subsidiaries	Purchase	183,939	1	Pay after 45 days of the month of delivery	-	-	(8,293)	-	
	Uni-Calsonic	Directors	Purchase	128,957	1	Pay after 45 days of the month of delivery	-	-	(26,678)	(1)	
Y. M. Hi-Tech	Yulon	Equity-method investees	Sale	(153,134)	(49)	Collect after 45 days of the month of delivery	-	-	26,088	52	
	COC (Note 1)	Parent company	Sale	(102,565)	(33)	Collect after 45 days of the month of delivery	-	-	16,965	34	
	Yulon	Equity-method investees	Purchase	150,904	52	Pay after 45 days of the month of delivery	-	-	(81,767)	(62)	
	China Motor Corporation (Note 1)	Parent company	Purchase	105,660	37	Pay after 16-45 days of delivery	-	-	(29,895)	(23)	
Sino Diamond Motors	Shung Ye Motors	Equity-method investees	Sale	(1,045,351)	(50)	Collect after 7-45 days of delivery	-	-	5,433	9	
	Fortune Motors	Equity-method investees	Sale	(757,835)	(37)	Collect after 16-45 days of delivery	-	-	24,348	41	
	Mitsubishi Corp.	Director of parent company	Purchase	491,818	50	Net 30 days from the end of the month of when invoice is issued	-	-	(109)	-	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note 2)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 2)	
Kiah Shen	China Motor Corporation (Note 1)	Parent company	Sale	\$ (550,409)	(46)	Collect after 45 days of the month of delivery	\$ -	-	\$ 101,891	42	
	Yulon	Equity-method investees	Sale	(125,095)	(11)	Collect after 45 days of the month of delivery	-	-	21,216	9	
COC	China Motor Corporation (Note 1)	Parent company	Sale	(350,772)	(21)	Collect after 45 days of the month of delivery	-	-	65,632	20	
	Yulon	Equity-method investees	Sale	(489,278)	(29)	Collect after 45 days of the month of delivery	-	-	69,612	21	
	Yulon	Equity-method investees	Purchase	261,277	24	Pay after 45 days of the month of delivery	-	-	(1,837)	(1)	
	Y.M. Hi-Tech (Note 1)	Subsidiaries	Purchase	102,565	9	Pay after 45 days of the month of delivery	-	-	(16,965)	(6)	
China Engine	China Motor Corporation (Note 1)	Parent company	Sale	(183,939)	(17)	Collect after 45 days of the month of delivery	-	-	8,293	2	
	Hua-Chuang Automobile Information Technical Center	Equity-method investees	Sale	(453,577)	(41)	Collect after 45 days of the month of delivery	-	-	295,822	85	
	Yulon	Equity-method investees	Sale	(274,550)	(25)	Collect after 45 days of the month of delivery	-	-	38,768	11	
Donggunn Huayi	Donggunn Huashun (Note 1)	Subsidiaries	Sale	(138,724)	35	Collect after 16-30 days of delivery	-	-	3,473	54	
Tianjin Huahong	Soueast-motor	Equity-method investees	Purchase	248,643	91	Pay after 45 days of delivery	-	-	-	-	
Guangzhou Huayou Motor Sales	Soueast-motor	Equity-method investees	Purchase	229,828	81	Pay after 45 days of delivery	-	-	(17,110)	(93)	
Sichuan Hwafeng Hanwei	Soueast-motor	Equity-method investees	Purchase	448,085	96	Pay after 45 days of delivery	-	-	(23,100)	(97)	
Donggunn Huashun	Soueast-motor	Equity-method investees	Purchase	136,640	41	Pay after 45 days of delivery	-	-	(33,953)	(90)	
	Donggunn Huayi (Note 1)	Parent company	Purchase	138,724	42	Pay after 16-30 days of delivery	-	-	(3,473)	(9)	

Note 1: Eliminated.

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

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
China Motor Corporation	Fortune Motors	Equity-method investee	\$ 689,319	23.84	\$ -	-	\$ 689,319	\$ -
	Shung Ye Motors	Equity-method investee	215,527	17.92	-	-	215,527	-
China Engine	Hua-Chuang Automobile Information Technical Center	Equity-method investee	295,822	1.39	-	-	295,822	-
Kian Shen	China Motor Corporation (Note)	Parent company	101,891	5.33	-	-	101,891	-

Note: Eliminated

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	%	Carrying Amount			
China Motor Corporation	Yulon (Note 6)	Miaoli, Taiwan	Manufacture and sale of vehicles	\$ 2,772,729	\$ 2,772,729	236,901	15.06	\$ 10,301,122	\$ 2,210,346	\$ 306,252	Equity-method investees
	Kian Shen (Note 1)	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	30,379	43.87	1,583,029	319,589	139,746	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and providing after sales service of vehicle	2,132,219	2,132,219	132,097	41.93	3,720,283	888,321	372,384	Equity-method investees
	Sino Diamond Motors (Note 1)	Taipei, Taiwan	Sales and providing after sales service of vehicle	3,463,724	3,463,724	325,786	100.00	2,994,854	(39,492)	(39,492)	Subsidiary
	CMC Investment (Note 1)	Taipei, Taiwan	Invest on production and service industries.	130,263	409,975	133,503	100.00	1,788,115	41,890	41,896	Subsidiary
	Alliance Investment & Management (Note 1)	Taipei, Taiwan	Investment	1,200,030	1,200,030	183,000	100.00	1,672,498	(22,458)	(19,173)	Subsidiary
	CMI (Note 1)	Samoa	Investment	1,402	1,402	40	100.00	1,422,782	41,144	41,144	Subsidiary
	Tokio Marine Nawa Insurance (Note 2)	Taipei, Taiwan	Property insurance	955,941	955,941	61,511	20.57	1,473,429	837,245	172,227	Equity-method investees
	ROC-Spicer	Taoyuan, Taiwan	Manufacture and sales of automobile parts	803,633	803,633	1,422	29.00	1,266,698	321,168	93,028	Equity-method investees
	Daimler Vans Hong Kong Ltd.	Hong Kong	Investment	1,813,970	1,496,438	40,887	32.45	1,238,121	83,363	27,051	Equity-method investees
	Hwa Wei Holdings (Note 1)	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40	100.00	828,820	(529,210)	(510,173)	Subsidiary
	COC (Note 1)	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle. The production of mold, fixture and gauge of vehicle.	412,125	412,125	28,148	49.76	631,389	174,662	86,303	Subsidiary
	Tai Yuen Venture Capital Investment	Taipei, Taiwan	Venture capital, providing plan consulting and operations administration	495,000	495,000	52,470	49.50	395,782	(29,011)	(14,360)	Equity-method investees
	Uni Auto Parts Manufacture	Miaoli, Taiwan	The production of mold, fixture and gauge of vehicle.	109,813	109,813	11,847	15.00	352,470	195,470	29,196	Equity-method investees
	Hua-Chuang Automobile Information Technical Center (Note 4)	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	335,220	33,498	(44,521)	Equity-method investees
	Shung Ye Motors (Note 3)	Taipei, Taiwan	Sales and providing after sales service of vehicle	391,142	391,305	25,190	39.98	317,609	26,688	10,644	Equity-method investees
	Gatetech Technology (Note 1)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	474,941	474,941	24,725	56.53	203,735	(55,011)	(31,100)	Subsidiary
	China Engine (Note 1)	Taoyuan, Taiwan	Manufacture of automobile engine and parts	320,000	320,000	32,000	18.95	154,941	11,966	9,576	Subsidiary
	Sin Gan	Taipei, Taiwan	Sales and providing after sales service of vehicle	71,316	120,664	7,074	24.67	105,025	113,087	27,910	Equity-method investees
	Sin Jiang Enterprises	Taipei, Taiwan	Retail and wholesale of second-hand vehicle	85,893	85,893	8,568	20.01	95,291	23,975	4,797	Equity-method investees
Hwa Chung Motors (Note 1)	Taoyuan, Taiwan	Manufacture of vehicles	328,900	328,900	8,790	100.00	66,018	(52)	(52)	Subsidiary	
Yulon IT Solutions	Taipei, Taiwan	Information software wholesale services	83,320	83,320	8,332	43.85	22,414	993	436	Equity-method investees	
Fu Yu Venture Capital Investment	Taipei, Taiwan	Venture capital, providing plan consulting and operations administration	22,222	22,222	2,222	14.81	19,142	-	-	Equity-method investees (under liquidation)	
Hwa Hann (Note 1)	Philippines	Buy and sell of automobile parts	3,378	3,378	521	48.99	2,485	-	-	Subsidiary (under liquidation)	
Kian Shen	Kian Shen Investment (Note 1)	British Virgin Islands	Production and overseas invest on service industries	328,888	328,888	10,296	100.00	2,760,312	409,280	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	%	Carrying Amount			
Kian Shen Investment	KSIHK (Note 1)	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907	100.00	RMB 542,837 thousand	RMB 63,316 thousand	\$ -	Subsidiary
Alliance Investment & Management	Hua-Chuang Automobile	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	548,847	33,498	-	Equity-method investees
	Information Technical Center	Samoa	Investment	195,237	195,237	6,600	100.00	195,739	(3,645)	-	Subsidiary
	Greentrans Investment (Note 1)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	145,123	145,123	3,172	7.26	26,141	(55,011)	-	Subsidiary
Sino Diamond Motors	Gatetech Technology (Note 1)	Samoa	Production and overseas invest on service industries	1,758,773	1,758,773	45,643	100.00	1,121,754	(57,474)	-	Subsidiary
	Hua-Yu (Note 1)	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	548,847	33,498	-	Equity-method investees
	Hua-Chuang Automobile	Taoyuan, Taiwan	Manufacture of automobile engine and parts	616,000	616,000	56,000	33.16	337,869	11,966	-	Subsidiary
	Information Technical Center	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	149,369	149,369	3,946	9.02	32,552	(55,011)	-	Subsidiary
	China Engine (Note 1)	Taoyuan, Taiwan	Consulting and service	10,000	-	1,000	100.00	6,472	(3,528)	-	Subsidiary
	Gatetech Technology (Note 1)	Philippines	Buy and sell of automobile parts	3,500	3,500	542	51.00	2,586	-	-	Subsidiary (under liquidation)
	Brilliant Insight International (Note 1)	Taipei, Taiwan	Sales and providing after sales service of vehicle	180	-	10	0.02	178	26,688	-	Equity-method investees
	Hwa Hann (Note 1)	Taipei, Taiwan	Sales and providing after sales service of vehicle	24	24	1	-	14	888,321	-	Equity-method investees
Hua-Yu	Hwa-Lin (Note 1)	British Virgin Islands	Production and overseas invest on service industries	US\$ 45,929 thousand	US\$ 45,929 thousand	42,093	100.00	1,013,970	(57,436)	-	Subsidiary
CMC Investment	Yulon	Miaoli, Taiwan	Manufacture and sales of vehicles	909,086	909,086	25,327	1.61	1,036,624	2,210,346	-	Equity-method investees
	Hua-Chuang Automobile	Taipei, Taiwan	Product design	473,760	473,760	47,200	9.44	548,847	33,498	-	Equity-method investees
Information Technical Center											
Gatetech Technology	GH (Note 1)	Samoa	Investment	647,041	647,041	20,130	100.00	567,402	(22,057)	-	Subsidiary
GH	GI (Note 1)	Samoa	Investment	US\$ 20,268 thousand	US\$ 20,268 thousand	20,268	100.00	569,372	(23,180)	-	Subsidiary
China Engine	Advance Power Investment (Note 1)	Mauritius	Reinvestment and sales	59,456	59,456	3,750	100.00	104,043	1,356	-	Subsidiary
	Advance Power Machinery (Note 1)	Miaoli, Taiwan	Manufacture of vehicle and parts	5,000	5,000	500	100.00	9,949	1,555	-	Subsidiary
Hwa Chung Motors	Ling Wei (Note 1)	Taipei, Taiwan	Sales of second-hand vehicle	31,000	31,000	3,608	100.00	29,747	(726)	-	Subsidiary
	Greentrans (Note 1)	Taipei, Taiwan	Sales of bicycle and motorcycle	10,000	10,000	1,000	100.00	10,601	450	-	Subsidiary
COC	Y. M. Hi-Tech (Note 1)	Taoyuan, Taiwan	Steel cutting	30,000	30,000	3,000	60.00	48,982	8,352	-	Subsidiary
	Shye Shinn (Note 1)	British Virgin Islands	Investment	US\$ 2,200 thousand	US\$ 2,200 thousand	2,200	100.00	47,353	3,002	-	Subsidiary

Note 1: Eliminated.

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

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

Note 4: During the preparation of consolidated financial statement, the side stream transaction \$36,065 thousand had been eliminated.

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

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

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014 (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, 2014 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2014 (Note 1)
					Outward	Inward						
Soueast-motor (Notes 4 and 5)	Sales of industrial automation products	\$ 4,367,700 (US\$ 138,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	\$ 1,091,925 (US\$ 34,500 thousand)	\$ -	\$ -	\$ 1,091,925 (US\$ 34,500 thousand)	\$ (1,562,308)	25.00	\$ (390,577)	\$ 1,881,097	\$ 823,628 (US\$ 26,023 thousand)
China Engine (Fujian)	Sales of engine and engine parts	474,750 (US\$ 15,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	237,375 (US\$ 7,500 thousand)	-	-	237,375 (US\$ 7,500 thousand)	5,426	38.03	2,713	208,060	-
Fujian Benz Automotive	Sales of industrial automation products	9,694,440 (EUR 252,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	1,273,319 (EUR 33,099 thousand)	299,604 (EUR 7,788 thousand)	-	1,572,923 (EUR 40,887 thousand)	167,692 (EUR 4,163 thousand)	16.23	27,190 (EUR 675 thousand)	1,237,080 (EUR 32,157 thousand)	-
Guangzhou NTN-YULON Drivertrain	Sales and production of vehicle's components	395,625 (US\$ 12,500 thousand)	The Company indirectly owns these investees through investment company registered in a third region	158,250 (US\$ 5,000 thousand)	-	-	158,250 (US\$ 5,000 thousand)	636,770 (RMB 129,900 thousand)	17.55	254,708 (RMB 51,960 thousand)	1,210,945 (RMB 238,094 thousand)	-
Fuzhou Fushiang Motor Industrial	Sales and production of vehicle's components	562,737 (US\$ 17,780 thousand)	The Company indirectly owns these investees through investment company registered in a third region	89,728 (US\$ 2,835 thousand)	-	-	89,728 (US\$ 2,835 thousand)	123,550 (RMB 25,204 thousand)	15.35	43,243 (RMB 8,821 thousand)	637,547 (RMB 125,353 thousand)	-
Xiangyang NTN-YULON Drivertrain	Sales and production of vehicle's components	1,076,100 (US\$ 34,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(25,603) (RMB -5,223 thousand)	17.55	(10,241) (RMB -2,089 thousand)	413,926 (RMB 81,385 thousand)	-
Xiamen King-Long Kian-Shen Frame	Sales and production of vehicle's components	488,832 (RMB 96,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	48,330 (US\$ 1,527 thousand)	-	-	48,330 (US\$ 1,527 thousand)	59,197 (RMB 12,076 thousand)	21.94	29,598 (RMB 6,038 thousand)	302,107 (RMB 59,400 thousand)	-
Beijing NTN-SEOHAN Driveshaft	The assembling and extra work of transmission shaft and other parts	189,900 (US\$ 6,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	17,091 (US\$ 540 thousand)	-	-	17,091 (US\$ 540 thousand)	86,035 (RMB 17,551 thousand)	3.95	-	17,305 (RMB 3,402 thousand)	-
Jiangsu Greentrans Automotive Parts (Note 6)	Production and sales of parts of electronic motorcycle	208,890 (US\$ 6,600 thousand)	The Company indirectly owns these investees through investment company registered in a third region	104,445 (US\$ 3,300 thousand)	104,445 (US\$ 3,300 thousand)	-	208,890 (US\$ 6,600 thousand)	(5,652)	100.00	(5,652)	195,452	-
Fujian Rui Hua (Note 6)	Consultation and services	107,610 (US\$ 3,400 thousand)	The Company indirectly owns these investees through investment company registered in a third region	107,610 (US\$ 3,400 thousand)	-	-	107,610 (US\$ 3,400 thousand)	371	100.00	371	107,735	-
Beijing Jun Hua (Note 6)	Consultation and services	4,748 (US\$ 150 thousand)	The Company indirectly owns these investees through investment company registered in a third region	4,748 (US\$ 150 thousand)	-	-	4,748 (US\$ 150 thousand)	(500)	100.00	(500)	14	-

(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, 2014 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014 (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, 2014 (Notes 1)	Accumulated Repatriation of Investment Income as of December 31, 2014 (Note 1)
					Outward	Inward						
Zhejiang Kangda Motor Industry And Trading	Sales of various vehicles and their components	\$ 203,680 (RMB 40,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	\$ 38,233 (US\$ 1,208 thousand)	\$ -	\$ -	\$ 38,233 (US\$ 1,208 thousand)	\$ 34,472	24.50	\$ 8,446	\$ 199,119	\$ -
Guangzhou Huayou Motor Maintenance (Note 6)	Maintenance and ancillary services of vehicle	405,437 (US\$ 12,810 thousand)	The Company indirectly owns these investees through investment company registered in a third region	354,448 (US\$ 11,199 thousand)	-	-	354,448 (US\$ 11,199 thousand)	(21,877)	100.00	(21,877)	140,910	-
Sichuan Huafeng Hanwei (Note 6)	Maintenance and ancillary services of vehicle	421,895 (US\$ 13,330 thousand)	The Company indirectly owns these investees through investment company registered in a third region	421,895 (US\$ 13,330 thousand)	-	-	421,895 (US\$ 13,330 thousand)	4,829	100.00	4,829	137,985	-
Tianjin Hwarui (Note 6)	Maintenance and ancillary services of vehicle	253,833 (US\$ 8,020 thousand)	The Company indirectly owns these investees through investment company registered in a third region	245,636 (US\$ 7,761 thousand)	-	-	245,636 (US\$ 7,761 thousand)	(12,737)	100.00	(12,737)	165,356	-
Dongguan Huayi (Note 6)	Maintenance and ancillary services of vehicle	140,843 (US\$ 4,450 thousand)	The Company indirectly owns these investees through investment company registered in a third region	133,468 (US\$ 4,217 thousand)	-	-	133,468 (US\$ 4,217 thousand)	(26,091)	100.00	(26,091)	74,280	-
Suzhou Fulgent Automobile Service	Maintenance and ancillary services of vehicle	210,441 (US\$ 6,649 thousand)	The Company indirectly owns these investees through investment company registered in a third region	129,607 (US\$ 4,095 thousand)	-	-	129,607 (US\$ 4,095 thousand)	(59,865)	35.00	(20,953)	21,949	-
Jiang Su Hui Feng Vehicle Service	Maintenance and ancillary services of vehicle	79,980 (US\$ 2,527 thousand)	The Company indirectly owns these investees through investment company registered in a third region	21,047 (US\$ 665 thousand)	-	-	21,047 (US\$ 665 thousand)	(19,800)	35.00	(6,930)	-	-
Sichuan Hauwei (Note 6)	Sales of various vehicles and their components	15,276 (RMB 3,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(881) (RMB -179 thousand)	100.00	(881) (RMB -179 thousand)	153 (RMB 30 thousand)	-
Sichuan Lingwei (Note 6)	Sales of various vehicles and their components	10,184 (RMB 2,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	2,204 (RMB 448 thousand)	100.00	2,204 (RMB 448 thousand)	2,358 (RMB 463 thousand)	-
Dongguan Huashun (Note 6)	Sales of various vehicles and their components	76,380 (RMB 15,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(26,421) (RMB -5,370 thousand)	100.00	(26,421) (RMB -5,370 thousand)	(37,589) (RMB -7,382 thousand)	-
Tianjin Hwahong (Note 6)	Sales of various vehicles and their components	305,520 (RMB 60,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(11,808) (RMB -2,400 thousand)	100.00	(11,808) (RMB -2,400 thousand)	272,300 (RMB 53,476 thousand)	-
Guangzhou Huayou Motor Sales (Note 6)	Sales of various vehicles and their components	10,184 (RMB 2,000 thousand)	The Company indirectly owns these investees through investment company registered in a third region	-	-	-	-	(18,741) (RMB -3,809 thousand)	100.00	(18,741) (RMB -3,809 thousand)	(189,473) (RMB -37,210 thousand)	-
Gatech (Suzhou) Technology (Note 6)	Aluminum-magnesium alloy casting industry	769,095 (US\$ 24,300 thousand)	The Company indirectly owns these investees through investment company registered in a third region	641,451 (US\$ 20,267 thousand)	-	-	641,451 (US\$ 20,267 thousand)	(23,267)	72.81	(23,267)	567,953	-
Zhengzhou Tooling & Stamping (Note 6)	Design, manufacture, sales and providing technological services of molds, hardwares and stampings	63,650 (RMB 12,500 thousand)	The Company indirectly owns these investees through investment company registered in a third region	30,637 (US\$ 968 thousand)	-	-	30,637 (US\$ 968 thousand)	5,425 (US\$ 179 thousand)	29.86	3,273 (US\$ 108 thousand)	47,285 (US\$ 1,494 thousand)	17,965 (US\$ 587 thousand)

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$5,553,290 (US\$125,762 thousand and EUR40,887 thousand)	\$6,809,051 (US\$198,767 thousand and EUR13,467 thousand)	\$29,065,176

Note 1: At exchange rate on December 31, 2014, US\$1 = \$31.65, RMB1 = \$5.092, EUR1 = \$38.47.

Note 2: At exchange rate of average rate of the year ended December 31, 2014, US\$1 = \$30.3056, RMB1 = \$4.9202, EUR1 = \$40.2816

Note 3: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements.

Note 4: The amount of sales of parts and mold to Soueast-motor for the year ended December 31, 2014 was \$38,806 thousand. The unrealized gross profit was \$6,865 thousand for the year ended December 31, 2014, and the payment terms were based on agreements.

Note 5: During the preparation of consolidated statements, the unrealized profit or loss \$12,283 thousand had been eliminated.

Note 6: Eliminated.

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	China Motor Corporation	Kian Shen	Subsidiary	Cost of goods sold	\$ 550,409	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	1.53
		Kian Shen	Subsidiary	Account payable	101,891	The prices and payment terms were based on agreements.	0.17
		COC	Subsidiary	Cost of goods sold	350,772	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.98
		China Engine	Subsidiary	Cost of goods sold	183,939	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.51
		Sino Diamond Motors	Subsidiary	Other operating revenue	161,306	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.45
		Gatetech Technology	Subsidiary	Debt investments with no active market	150,000	The prices and payment terms were based on agreements.	0.24
		Y. M. Hi-Tech Industry Ltd	Subsidiary	Sales	105,660	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.29
1	Y. M. Hi-Tech Industry Ltd	COC	The same parent company	Sales	102,565	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.29
2	CMI	Hwa Wei Holdings	The same parent company	Other receivable	1,200,000	The prices and payment terms were based on agreements.	1.95
3	Hwa-Lin	Dongguan Huayi	Subsidiary	Other receivable	143,126	The prices and payment terms were based on agreements.	0.23
4	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Subsidiary	Other receivable	358,986	The prices and payment terms were based on agreements.	0.58
5	Tianjin Hwahong	Tianjin Hwarui	The same parent company	Other receivable	107,553	The prices and payment terms were based on agreements.	0.17
6	Dongguan Huayi	Dongguan Huashun	The same parent company	Sales	138,724	The prices and payment terms for related-party transactions were based on market price which are not significantly different from those to third parties.	0.39

Note 1: Eliminated.

Note 2: This table includes transactions for amounts over one hundred million.

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY INVESTMENT RELATIONSHIPS AND RATE OF SHARE HELD FRAMEWORK
DECEMBER 31, 2014

