China Motor Corporation

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Motor Corporation

Opinion

We have audited the accompanying financial statements of China Motor Corporation (the Corporation), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's financial statements for the year ended December 31, 2019 is stated as follows:

Revenue Recognition

Domestic sales of vehicles is material to the Corporation's financial statements. Since the sale of vehicles is strongly affected by the economy, there is a possible risk in the accuracy of revenue recognition; therefore, revenue recognition has been identified as a key audit matter.

Our audit procedures performed in respect of revenue recognition included:

- Discussing with management whether the accounting methods for revenue recognition were appropriate and consistently applied;

- Testing the design of the revenue recognition internal controls and the operating effectiveness of such controls as well as verifying the authenticity of sales transaction-related documentary evidence;

- Verifying whether the risks and rewards of the merchandise were transferred and whether the amount of sales revenue recognized was accurate.

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2019 and 2018 of some of the Corporation's investees accounted for using the equity method, namely Daimler Vans Hong Kong Ltd., Shung Ye Motors Corporation, and Uni Auto Parts Manufacture Co., Ltd., but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for these investees in the Corporation's accompanying financial statements, is based solely on the reports of the other auditors. The aforementioned investments accounted for using the equity method constituted 8.0% (NT$3,601,010 thousand) and 5.8% (NT$3,326,815 thousand) of the Corporation's total assets as of December 31, 2019 and 2018, respectively. The Corporation's share of comprehensive income of the aforementioned investments accounted for using the equity method amounted to NT$733,891 thousand and NT$829,089 thousand for the years ended December 31, 2019 and 2018, respectively, which accounted for 27.4% and 25.1% of the Corporation's total comprehensive income (loss), respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2020

Notice to Readers

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

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

CHINA MOTOR CORPORATION

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,361,954	7	$ 11,070,825	19
Financial assets at fair value through profit or loss (Notes 4 and 7)	320,671	1	478,809	1
Financial assets for hedging (Notes 4 and 11)	398,864	1	218,956	-
Notes and accounts receivable, net (Notes 4 and 12)	719,498	2	455,144	1
Trade receivables from related parties (Notes 4 and 26)	1,267,862	3	1,241,256	2
Other receivables (Notes 4 and 26)	611,320	1	768,896	1
Inventories (Notes 4 and 13)	3,702,237	8	3,003,142	5
Prepayments (Note 29)	1,287,677	3	903,555	2
Other current assets (Notes 4, 22 and 27)	450,341	1	223,514	1
Total current assets	12,120,424	27	18,364,097	32
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	617,612	1	671,565	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	42,668	-	30,991	-
Financial assets at amortized cost (Notes 4, 9, 10 and 26)	768,613	2	968,021	2
Investments accounted for using the equity method (Notes 4 and 14)	25,688,517	57	32,645,568	57
Property, plant and equipment (Notes 4, 15 and 26)	4,013,461	9	3,610,823	6
Investment properties (Notes 4 and 16)	896,305	2	803,605	1
Intangible assets under development (Note 4)	484,360	1	304,163	1
Deferred tax assets (Notes 4 and 22)	205,882	1	230,305	-
Other non-current assets	55,937	-	77,446	-
Total non-current assets	32,773,355	73	39,342,487	68
TOTAL	$ 44,893,779	100	$ 57,706,584	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 2,212,254	5	$ 1,945,603	4
Trade payables to related parties (Note 26)	887,140	2	760,683	1
Other payables (Note 17)	1,822,369	4	1,838,431	3
Current tax liabilities (Notes 4 and 22)	245,152	1	28,148	-
Other current liabilities (Notes 4, 7, 11 and 26)	143,681	-	119,886	-
Total current liabilities	5,310,596	12	4,692,751	8
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	205,642	1	117,938	-
Net defined benefit liabilities (Notes 4 and 18)	626,668	1	728,314	2
Other non-current liabilities	8,812	-	7,306	-
Total non-current liabilities	841,122	2	853,558	2
Total liabilities	6,151,718	14	5,546,309	10
EQUITY (Notes 4, 8, 11 and 19)				
Ordinary shares	5,536,203	12	13,840,508	24
Capital surplus	6,414,118	14	6,403,633	11
Retained earnings				
Legal reserve	9,257,157	21	8,897,857	15
Special reserve	1,029,654	2	1,046,967	2
Unappropriated earnings	17,306,526	39	22,486,952	39
Total retained earnings	27,593,337	62	32,431,776	56
Other equity				
Exchange differences on translating foreign operations	(998,191)	(2)	(653,816)	(1)
Unrealized gain on investments in financial assets at fair value through other comprehensive income	216,562	-	117,177	-
Gain (loss) on hedging instruments	(19,968)	-	20,997	-
Total other equity	(801,597)	(2)	(515,642)	(1)
Total equity	38,742,061	86	52,160,275	90
TOTAL	$ 44,893,779	100	$ 57,706,584	100

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

(With Deloitte & Touche auditors’ report dated March 30, 2020)

CHINA MOTOR CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 20 and 26)				
Net sales	$ 25,879,396	98	$ 26,126,810	98
Other operating revenue	485,628	2	459,162	2
Total operating revenue	26,365,024	100	26,585,972	100
OPERATING COSTS (Notes 13, 18, 21 and 26)				
Cost of goods sold	22,077,293	84	21,945,077	83
Other operating costs	108,512	-	157,826	1
Total operating costs	22,185,805	84	22,102,903	84
GROSS PROFIT	4,179,219	16	4,483,069	16
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	7,120	-	2,401	-
REALIZED GROSS PROFIT	4,186,339	16	4,485,470	16
OPERATING EXPENSES (Notes 18, 21 and 26)				
Selling and marketing expenses	294,279	1	389,580	1
General and administrative expenses	616,843	2	694,368	3
Research and development expenses	1,460,284	6	1,593,859	6
Total operating expenses	2,371,406	9	2,677,807	10
PROFIT FROM OPERATIONS	1,814,933	7	1,807,663	6
NON-OPERATING INCOME AND EXPENSES				
Share of profit (loss) of subsidiaries, associates and joint ventures (Notes 4 and 14)	(3,890,853)	(15)	2,099,291	8
Interest income (Notes 4 and 26)	103,353	1	150,641	1
Other income (Note 26)	68,072	-	48,606	-
Gain on disposal of investments (Note 14)	69,699	-	-	-
Other expenses (Note 26)	(38,053)	-	(7,743)	-
Net foreign exchange loss	(12,381)	-	(5,282)	-
Loss on financial instruments at fair value through profit or loss (Note 4)	(61,969)	-	(48,817)	-
Impairment loss (Notes 4 and 15)	(45,374)	-	(148,360)	(1)
Total non-operating income and expenses	(3,807,506)	(14)	2,088,336	8

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CHINA MOTOR CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
PROFIT (LOSS) BEFORE INCOME TAX	$ (1,992,573)	(7)	$ 3,895,999	14
INCOME TAX EXPENSE (Notes 4 and 22)	(473,000)	(2)	(303,000)	(1)
NET PROFIT (LOSS) FOR THE YEAR	(2,465,573)	(9)	3,592,999	13
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(41,510)	-	(1,098)	-
Unrealized loss on investments in equity instruments designated at fair value through other comprehensive income (Note 19)	12,081	-	(7,335)	-
Gain on the hedging instruments (Notes 11 and 19)	503	-	19,728	-
Share of other comprehensive loss of subsidiaries and associates (Notes 14 and 19)	156,028	-	(139,201)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	8,201	-	1,746	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 14 and 19)	(344,375)	(1)	(168,698)	(1)
Other comprehensive loss for the year (net of income tax)	(209,072)	(1)	(294,858)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (2,674,645)	(10)	$ 3,298,141	12
EARNINGS (LOSS) PER SHARE (IN NEW TAIWAN DOLLARS; Note 23)				
Basic	$ (2.38)		$ 2.64	
Diluted	$ (2.38)		$ 2.63	

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

(With Deloitte & Touche auditors' report dated March 30, 2020) (Concluded)

CHINA MOTOR CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares			Retained Earnings			Other Equity					
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Investments in Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Gain (Loss) on Effective Portion of Cash Flow Hedges	Gain (Loss) on the Hedging Instruments	Total Equity
BALANCE AT JANUARY 1, 2018	1,384,051	$ 13,840,508	$ 6,407,340	$ 8,487,293	$ 1,051,658	$ 20,895,137	$ (485,118)	$ -	$ 765,456	$ (12,253)	$ -	$ 50,950,021
Effect of retrospective application	-	-	-	-	-	888,982	-	273,866	(765,456)	12,253	(12,253)	397,392
BALANCE AT JANUARY 1, 2018 AS ADJUSTED	1,384,051	13,840,508	6,407,340	8,487,293	1,051,658	21,784,119	(485,118)	273,866	-	-	(12,253)	51,347,413
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	410,564	-	(410,564)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,491,292)	-	-	-	-	-	(2,491,292)
Reversal of special reserve	-	-	-	-	(4,691)	4,691	-	-	-	-	-	-
Change from investments in associates and joint ventures accounted for using the equity method	-	-	(3,707)	-	-	9,720	-	-	-	-	-	6,013
Net profit for the year ended December 31, 2018	-	-	-	-	-	3,592,999	-	-	-	-	-	3,592,999
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	2,244	(168,698)	(161,654)	-	-	33,250	(294,858)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	3,595,243	(168,698)	(161,654)	-	-	33,250	3,298,141
Subsidiaries and associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(5,472)	-	5,472	-	-	-	-
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	507	-	(507)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	1,384,051	13,840,508	6,403,633	8,897,857	1,046,967	22,486,952	(653,816)	117,177	-	-	20,997	52,160,275
Effect of retrospective application	-	-	-	-	-	(19,503)	-	-	-	-	-	(19,503)
BALANCE AT JANUARY 1, 2019 AS ADJUSTED	1,384,051	13,840,508	6,403,633	8,897,857	1,046,967	22,467,449	(653,816)	117,177	-	-	20,997	52,140,772
Appropriation of the 2018 earnings												
Legal reserve	-	-	-	359,300	-	(359,300)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,352,886)	-	-	-	-	-	(2,352,886)
Reversal of special reserve	-	-	-	-	(17,313)	17,313	-	-	-	-	-	-
Change from investments in associates and joint ventures accounted for using the equity method	-	-	10,485	-	-	(35,639)	-	-	-	-	-	(25,154)
Net loss for the year ended December 31, 2019	-	-	-	-	-	(2,465,573)	-	-	-	-	-	(2,465,573)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(46,865)	(344,375)	181,412	-	-	756	(209,072)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(2,512,438)	(344,375)	181,412	-	-	756	(2,674,645)
Capital reduction by cash	(830,431)	(8,304,305)	-	-	-	-	-	-	-	-	-	(8,304,305)
Subsidiaries and associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	82,027	-	(82,027)	-	-	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	-	(41,721)	(41,721)
BALANCE AT DECEMBER 31, 2019	553,620	$ 5,536,203	$ 6,414,118	$ 9,257,157	$ 1,029,654	$ 17,306,526	$ (998,191)	$ 216,562	$ -	$ -	$ (19,968)	$ 38,742,061

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

CHINA MOTOR CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	$ (1,992,573)	$ 3,895,999
Adjustments for:		
Depreciation expenses	770,843	789,185
Amortization expenses	95,100	80,283
Expected credit loss	25,550	6,308
Net loss on fair value change of financial instruments at fair value through profit or loss	61,969	48,817
Interest expense	86	45
Interest income	(103,353)	(150,641)
Dividend income	(14,188)	(18,762)
Share of loss (profit) of subsidiaries, associates and joint ventures	3,890,853	(2,099,291)
Loss on disposal of property, plant and equipment	1,006	3,610
Loss on valuation of investments	-	333
Gain on disposal of investmets	(69,699)	-
Impairment loss of non-financial assets	57,763	134,258
Realized gain on the transactions with associates	(7,120)	(2,401)
Unrealized gain on foreign currency exchange, net	(3,416)	(23,736)
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	152,526	12,334
Notes and accounts receivable	(259,512)	(58,465)
Trade receivables from related parties	(26,640)	6,225
Other receivables	35,656	(28,333)
Inventories	(732,545)	316,100
Prepayments	(384,122)	(70,598)
Other current assets	(233,193)	(1,853)
Accounts payable	267,102	46,064
Payables to related parties	129,332	(19,099)
Other payables	(15,621)	(154,712)
Other current liabilities	13,468	(2,410)
Net defined benefit liabilities	(143,156)	(199,709)
Cash generated from operations	1,516,116	2,509,551
Income tax paid	(125,089)	(303,893)
Net cash generated from operating activities	1,391,027	2,205,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1,930,041)	(1,203,382)
Proceeds from repayment of principal of financial assets at amortized cost	2,105,501	2,641,210
Acquisition of investments accounted for using the equity method	-	(553,113)
Disposal of investments accounted for using the equity method	642,256	-
Proceeds from capital return of investments accounted for using the equity method	965,022	127,737
Acquisition of property, plant and equipment	(1,329,882)	(910,902)

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CHINA MOTOR CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property, plant and equipment	$ 18,271	$ 31,414
Decrease (increase) in other receivables of related parties	100,000	(200,000)
Acquisition of intangible assets	(237,959)	(190,126)
Increase in other non-current assets	(14,211)	(45,906)
Interest received	125,863	190,701
Dividends received	1,292,050	1,224,205
Net cash generated from investing activities	1,736,870	1,111,838
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portions of lease liabilities	(940)	-
Increase (decrease) in other non-current liabilities	917	(355)
Cash dividends paid	(2,352,886)	(2,491,292)
Capital reduction payments to shareholders	(8,304,305)	-
Interest paid	(86)	(45)
Net cash used in financing activities	(10,657,300)	(2,491,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,529,403)	825,804
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,289,781	10,463,977
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,760,378	$ 11,289,781

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2019 and 2018:

	December 31	
	2019	2018
Cash and cash equivalents in the balance sheets	$ 3,361,954	$ 11,070,825
Cash and cash equivalents included in financial assets for hedging	398,424	218,956
Cash and cash equivalents in the statements of cash flows	$ 3,760,378	$ 11,289,781

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

(With Deloitte & Touche auditors' report dated March 30, 2020) (Concluded)

CHINA MOTOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Corporation’s board of directors on March 26, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies:

   - IFRS 16 “Leases”

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

     Definition of a lease

     The Corporation elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities and cash payment for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flow for operating lease were classified within operating activities on the statements of cash flows.

The Corporation elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

1) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Corporation accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Corporation excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.37%. The difference between (i) the lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 2,993
Less: Recognition exemption for short-term leases	(585)
Less: Recognition exemption for leases of low-value assets	(514)
Undiscounted amount on January 1, 2019	$ 1,894
Discounted amount using the incremental borrowing rate and lease liabilities recognized on January 1, 2019	$ 1,863

The Corporation as lessor

The Corporation does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 1,863	$ 1,863
Investments accounted for using the equity method	32,645,568	(19,503)	32,626,065
Total effect on assets	$ 32,645,568	$ (17,640)	$ 32,627,928
Lease liabilities - current	$ -	$ 783	$ 783
Lease liabilities - non-current	-	1,080	1,080
Total effect on liabilities	$ -	$ 1,863	$ 1,863
Unappropriated earnings	$ 22,486,952	$ (19,503)	$ 22,467,449

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Corporation shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Corporation shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Corporation assessed that the application of aforementioned standards and interpretations would not have any significant impact on the Corporation's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the aforementioned standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the Corporation’s financial statements, transactions in currencies other than the Corporation’s functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items 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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting the financial statements, the functional currency of foreign operations are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Corporation’s entire interest in a foreign operation, or a disposal involving loss of joint control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of the equity transaction but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments accounted for using the equity method

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

1) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary equals or exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further losses, if any.

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

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

2) Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

g. Property, plant and equipment

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

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

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

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

h. Investment properties

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

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

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

i. Intangible assets

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

2) The intention to complete the intangible asset and use or sell it;

3) The ability to use or sell the intangible asset;

4) How the intangible asset will generate probable future economic benefits;

5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default; or

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset pasts the expiration date of contract unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets which are held by the Corporation is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

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

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

l. Hedge accounting

The Corporation designates certain hedging instruments 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 gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

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

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

m. Provisions

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

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

n. Revenue recognition

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

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

1) Revenue from sale of goods

Revenue from sale of goods is recognized when receiving control; that is to say, when the goods are delivered to the customer's specific location and satisfy its performance, revenue and accounts receivable can be recognized.

2) Revenue from rendering of services

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

o. Leases

<u>2019</u>

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

1) The Corporation as lessor

All leases are classified as operating leases.

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

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

2) The Corporation as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

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

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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All leases are classified as operating leases.

1) The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Corporation as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

3) Leasehold land for own use

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

p. Government grants

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences or unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash		
Cash on hand	$ 730	$ 2,182
Checking accounts and demand deposits	1,525,292	1,299,318
	1,526,022	1,301,500
Cash equivalents		
Time deposits	1,835,932	8,766,032
Repurchase agreements collateralized by bonds	-	1,003,293
	1,835,932	9,769,325
	$ 3,361,954	$ 11,070,825

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 in banks and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Checking accounts and demand deposits	0.00%-2.14%	0.00%-2.45%
Time deposits	1.01%-1.115%	0.50%-1.115%
Repurchase agreements collateralized by bonds	-	0.50%-0.60%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 320,367	$ 478,786
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	304	23
	$ 320,671	$ 478,809

(Continued)

	December 31	
	2019	2018
Financial assets - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted ordinary shares	$ 617,612	$ 671,565
Financial liabilities (included in other current liabilities)		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 2,483	$ 79

(Concluded)

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

December 31, 2019

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	USD/NTD	2020.01.06-2020.03.16	USD11,000/$330,810
	JPY/NTD	2020.02.25-2020.09.25	JPY600,000/$165,910
Sell	RMB/USD	2020.01.13	RMB14,022/USD$2,000

December 31, 2018

Transaction	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	USD/NTD	2019.01.04-2019.01.22	USD5,000/$153,480

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed shares	$ 29,083	$ 18,673
Domestic unlisted shares	13,585	12,318
	$ 42,668	$ 30,991

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

In June 2018, after the Corporation acquired an additional 15% interest in Yue Ki Industrial, the shareholding ratio increased to 15.08% and one of the seats in the board of directors was obtained by the Corporation. This transaction was deemed as the Corporation's disposal of financial assets at fair value through other comprehensive income and acquisition of investments accounted for using the equity method at market value on the day the Corporation began exercising significant influence over Yue Ki Industrial. The Corporation reclassified a gain of $507 thousand from other equity to retained earnings when the Corporation began exercising significant influence over Yue Ki Industrial.

Dividends of $675 thousand and $743 thousand were recognized during 2019 and 2018, respectively. Those dividends are all related to investments held at the end of the reporting period.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Bonds	$ 801,389	$ 970,015
Less: Allowance for impairment loss	(32,776)	(1,994)
	$ 768,613	$ 968,021

a. The range of coupon rates of bonds was 0.86%-4.34% and 0.86%-4.8% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Note 10 for information relating to their credit risk management and impairment.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	December 31	
	2019	2018
Gross carrying amount	$ 801,389	$ 970,015
Less: Allowance for impairment loss	(32,776)	(1,994)
Amortized cost	$ 768,613	$ 968,021

The Corporation only invests in debt instruments that have higher credit ratings and low credit risk after impairment assessment. The credit ratings are provided by independent rating agencies. The Corporation's exposures and its external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information of debtors to evaluate whether there has been a significant increase in the credit risk since initial recognition.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

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

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

December 31, 2019

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.0769%-0.6221%	$ 651,389
No rating	20.6080%	150,000

December 31, 2018

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.00%-0.6221%	$ 970,015

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

	Credit Rating	
	Performing (12-month ECLs)	No rating (Lifetime ECLs - Not Credit-impaired)
Balance at January 1, 2019	$ 1,994	$ -
Financial assets purchased (a)	12,007	-
Derecognition (b)	(12,142)	-
Change in risk parameters (c)	-	30,912
Change in exchange rates or others	5	-
Balance at December 31, 2019	$ 1,864	$ 30,912

(Continued)

	Credit Rating	
	Performing (12-month ECLs)	No rating (Lifetime ECLs - Not Credit-impaired)
Balance at January 1, 2018	$ 5,298	$ -
Financial assets purchased (a)	6,008	-
Derecognition (b)	(9,457)	-
Change in exchange rates or others	145	-
Balance at December 31, 2018	$ 1,994	$ -

(Concluded)

a. During 2019, the Corporation purchased principal guaranteed notes of $1,930,041 thousand and correspondingly increased the loss allowance for investments rated as performing of $12,007 thousand. During 2018, the Corporation purchased principal guaranteed notes of 953,382 thousand and bonds of $250,000 thousand and correspondingly increased the loss allowance for investments rated as performing of $6,008 thousand.

b. Investments in principal guaranteed notes of $1,930,041 thousand and bonds of $175,460 thousand were expired and redeemed during 2019, with a consequential reduction in the loss allowance for investments rated as performing of $12,142 thousand; and investments in negotiable certificates of deposit of $700,000 thousand, principal guaranteed notes of $1,482,007 thousand and bonds of $459,203 thousand were expired and redeemed during 2018, with a consequential reduction in the loss allowance for investments rated as performing of $9,457 thousand.

c. As the Corporation disposed of its subsidiary, Gatetech Technology, in November 2019, the Corporation assessed the lifetime ECLs of its debt investments held in Gatetech Technology and correspondingly increased the expected credit losses by $30,912 thousand.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2019	2018
Financial assets		
Cash flow hedges - spot rate	$ 398,424	$ 218,956
Cash flow hedges - foreign exchange forward contracts	440	-
	$ 398,864	$ 218,956
Financial liabilities (included in other current liabilities)		
Cash flow hedges - foreign exchange forward contracts	$ 6,884	$ -

The Corporation’s hedging strategy is to enter into foreign exchange forward contracts and to buy foreign currency banknote at the spot rate to avoid exchange rate exposure from its foreign currency receipts and payments and to manage exchange rate exposure of its forecasted foreign currency purchases. Those transactions are designated as cash flow hedges. The hedging effects are adjusted to the carrying amounts of non-financial hedging items when the forecasted purchases take place.

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

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Corporation's own credit risk on the fair value of the foreign exchange forward contracts and foreign currency banknote, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness is expected to emerge from these hedging relationships. During 2019 and 2018, hedging instruments at fair value and transferred to initial carrying amount of hedged items are detailed in Note 19(e).

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

December 31, 2019

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedge								
Forecast purchases - spot rate	JPY/NTD	JPY1,443,566/ NTD405,538	2020.02.25- 2020.12.15	0.2799-0.2828	Financial assets for hedging	$ 398,424	$ -	$ (5,690)
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB28,005/ USD4,000	2020.01.13	6.9980-7.0110 (USD1:RMB)	Financial assets for hedging	440	-	352
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY1,664,000/ NTD464,661	2020.01.15- 2020.11.16	0.2752-0.2815	Other current liabilities	-	(6,333)	(5,066)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD4,000/ NTD120,415	2020.01.13	30.1000-30.1050 (USD1:NTD)	Other current liabilities	-	(551)	(441)
						$ 398,864	$ (6,884)	$ (10,845)

Note: JPY1: NTD, unless stated otherwise.

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	$ 10,845	$ (10,845)

December 31, 2018

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (NTD/JPY)	Line Item in Balance Sheet	Carrying Amount	Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	
Cash flow hedge							
Forecast purchases - spot rate	JPY/NTD	JPY787,044/NTD211,954	2019.01.15- 2019.04.3	0.2690-0.2706	Financial assets for hedging	$ 218,956	$ 5,601

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Balance in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	$ (5,601)	$ 5,601

Comprehensive Income Impact	Hedging Gains Recognized in OCI For the year Ended December 31 2019	 2018
Cash flow hedges		
Forecast purchases	$ 503	$ 19,728

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

12. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
At amortized cost		
Notes and accounts receivable	$ 727,983	$ 468,861
Less: Allowance for impairment loss	(8,485)	(13,717)
	$ 719,498	$ 455,144

The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor’s current financial position. As the Corporation’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation’s different customer base.

The aging of receivables was as follows:

	December 31	
	2019	2018
0 days	$ 676,172	$ 436,696
1-60 days	23,121	13,987
61-90 days	1,233	9,042
More than 90 days	27,457	9,136
Gross carrying amount	727,983	468,861
Loss allowance (Lifetime ECL)	(8,485)	(13,717)
Amortized cost	$ 719,498	$ 455,144

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

	2019	2018
Balance at January 1	$ 13,717	$ 4,105
Add: Net remeasurement of loss allowance	-	9,612
Less: Net remeasurement of loss allowance	(5,232)	-
Balance at December 31	$ 8,485	$ 13,717

13. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 1,815,455	$ 1,231,361
Work in progress	29,259	40,528
Raw materials	1,693,380	1,452,357
Materials in transit	164,143	278,896
	$ 3,702,237	$ 3,003,142

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $22,077,293 thousand and $21,945,077 thousand, respectively. The cost of goods sold for the year ended December 31, 2019 included inventory write-downs of $12,389 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 7,218,147	$ 9,671,444
Investments in associates	15,640,057	20,405,478
Investments in joint ventures	2,830,313	2,568,646
	$ 25,688,517	$ 32,645,568

a. Investments in subsidiaries

Name of Subsidiaries	December 31 2019	December 31 2018
Listed companies		
Kian Shen	$ 2,046,653	$ 2,048,431
Unlisted companies		
Alliance Investment & Management	1,277,471	1,639,695
Sino Diamond Motors	1,155,029	2,451,369
China Motor Investment	871,654	1,159,432
COC Tooling & Stamping	786,792	761,596
Hwa Wei Holdings	579,673	771,520
China Engine	429,196	463,630
Hwa Chung Motors	71,679	63,913
Gatetech Technology	-	311,858
	5,171,494	7,623,013
	$ 7,218,147	$ 9,671,444

Name of Subsidiaries	Proportion of Ownership and Voting Rights December 31 2019	Proportion of Ownership and Voting Rights December 31 2018
Listed company		
Kian Shen	43.87%	43.87%
Unlisted companies		
Alliance Investment & Management	100.00%	100.00%
Sino Diamond Motors	100.00%	100.00%
China Motor Investment	100.00%	100.00%
COC Tooling & Stamping	49.76%	49.76%
Hwa Wei Holdings	40.00%	40.00%
China Engine	52.10%	52.10%
Hwa Chung Motors	100.00%	100.00%
Gatetech Technology	-	56.53%

Although the Corporation’s equity interests in Kian Shen and COC Tooling & Stamping each did not exceed 50%, the Corporation still retained control over these investees. Thus, Kian Shen and COC Tooling & Stamping were included in the Corporation’s consolidated financial statements.

Although the Corporation’s proportion of ownership of investments accounted for using the equity method in Hwa Wei Holdings was less than 50%, it was still considered a subsidiary of the Corporation since the combined shareholding proportion of the Corporation and its subsidiaries in Hwa Wei Holdings exceeded 50% of its outstanding ordinary shares.

In order to strengthen the Corporation’s capital structure and focus on the development of its business, the Corporation resolved in the board of directors’ meeting to fully dispose of 56.53% interest in its subsidiary, Gatetech Technology, to non-related party, which resulted in the recognition of a gain on disposal of the investment amounting to $71,314 thousand on November 13, 2019 (calculated as the disposal price of $415,097 thousand less the carrying amount of its disposed of equity investments of $309,028 thousand and the exchange differences on translating the financial statements of foreign operations of $(34,755) thousand).

The Corporation's subsidiary, Sino Diamond Motors, resolved to adjust its organizational structure in the board of directors' meeting in November 2019 on behalf of its shareholders' meeting; and separately implemented a capital reduction in both shares and cash, with the record date for the capital reduction set as November 30, 2019. The capital reduction in shares pertains to the return of the shares of China Engine held by Sino Diamond Motors to the Corporation. In addition, $965,022 thousand was returned to the shareholders during the capital reduction in cash, which led to a change in the Corporation's shareholding proportion in China Engine. In accordance with Interpretation 2012-301 issued by the Accounting Research and Development Foundation, organizational restructuring of entities under common control is deemed as the Corporation having a shareholding proportion of 52.10% in China Engine from the start.

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

b. Investments in associates

Associates	December 31 2019	December 31 2018
Material associates		
Yulon	$ 7,110,438	$ 11,476,319
Associates that are not individually material	8,529,619	8,929,159
	$ 15,640,057	$ 20,405,478

1) Material associates

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

The Corporation held 16.80% of interest in Yulon as of December 31, 2019 and 2018.

The Corporation exercises significant influence over Yulon and applies the equity method of accounting because the Corporation and Yulon share the same president of the board of directors even though the Corporation holds less than 20% of interest in Yulon.

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

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

Name of Associate	December 31 2019	December 31 2018
Yulon	$ 5,126,561	$ 4,772,553

The above associate is accounted for using the equity method.

As Yulon adjusted the organizational structure of its Group by carrying out a business combination of entities under common control, the consolidated financial statements of Yulon and its subsidiaries for the year ended December 31, 2018 were restated.

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

Yulon

	December 31	
	2019	2018 (Restatement)
Current assets	$ 231,944,241	$ 221,698,791
Non-current assets	81,947,302	98,161,768
Current liabilities	(230,116,188)	(207,661,949)
Non-current liabilities	(26,694,204)	(27,774,636)
Equity	57,081,151	84,423,974
Equity attributable to predecessors' interests under common control	-	(564,712)
Non-controlling interests	(11,244,743)	(12,122,134)
	$ 45,836,408	$ 71,737,128
Proportion of the Corporation's ownership	16.80%	16.80%
Equity attributable to the Corporation	$ 7,700,516	$ 12,051,837
Cross shareholdings	(590,078)	(575,518)
Carrying amount	$ 7,110,438	$ 11,476,319

	For the Year Ended December 31	
	2019	2018 (Restatement)
Operating revenue	$ 85,800,574	$ 88,115,701
Net profit (loss) for the year	$ (24,533,477)	$ 3,847,036
Other comprehensive loss	(304,732)	(687,796)
Total comprehensive income (loss) for the year	$ (24,838,209)	$ 3,159,240
Dividends received from Yulon	$ 175,693	$ 152,092

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Corporation's share of:		
Net profit for the year	$ 306,312	$ 732,703
Other comprehensive income (loss)	69,762	(40,014)
Total comprehensive income for the year	$ 376,074	$ 692,689

All the associates are accounted for using the equity method.

In June 2018, the Corporation injected capital of $35,178 thousand and acquired 8% interest of Uni-Calsonic Corporation, which led to an increase in its shareholding from 23.2% to 31.2%.

In June 2018, the Corporation acquired 29% of interest in Fujian Spicer and Tai-Ya Investment in the amounts of $329,134 thousand (RMB71,660 thousand) and $79,505 thousand (RMB17,310 thousand) from Taiguang Investment and ROC-Spicer Investment, which were the subsidiaries of ROC-Spicer, and thus the Corporation exercised significant influence over Fujian Spicer and Tai-Ya Investment.

In January 2019, the Corporation disposed of 20.01% interest in Sin Jang to Sin Gan and recognized a gain on disposal of the investment amounting to $1,347 thousand (calculated as the disposal price of $103,475 thousand less the carrying amount of the disposed of equity investments of $102,206 thousand and the exchange differences on translating the financial statements of foreign operations of $78 thousand).

In March 2019, the Corporation disposed of 24.67% interest in Sin Gan to Taiwan Acceptance and recognized a loss on disposal of the investment amounting to $1,862 thousand (calculated as the disposal price of $105,824 thousand less the carrying amount of the disposed of equity investments of $105,860 thousand and the exchange differences on translating the financial statements of foreign operations of $(1,826) thousand).

In June 2019, the Corporation disposed of 43.85% interest in Yulon IT to Yulon and recognized a loss on disposal of the investment amounting to $1,100 thousand (calculated as the disposal price of $17,860 thousand less the carrying amount of the disposed of equity investments of $18,960 thousand).

Investments in associates that are not individually material are accounted for using the equity method although the Corporation holds less than 20% interest since the Corporation exercises significant influence on their major transactions or shares the same president of the board of directors.

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

c. Investments in joint ventures

	December 31	
	2019	**2018**
Joint ventures that are not individually material	$ 2,830,313	$ 2,568,646

Aggregate information of joint ventures that are not individually material

	For the Year Ended December 31	
	2019	**2018**
The Corporation's share of:		
Net profit for the year	$ 821,936	$ 859,377
Other comprehensive loss	(105,368)	(52,262)
Total comprehensive income for the year	$ 716,568	$ 807,115

All joint ventures are accounted for using the equity method.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2018	$ 665,075	$ 86,689	$ 3,085,417	$ 21,369,884	$ 1,104,530	$ 571,039	$ 26,882,634
Additions	-	-	929	332	24,088	885,553	910,902
Disposals	-	-	(448)	(332,003)	(180,957)	-	(513,408)
Reclassifications	-	8,362	33,131	583,077	74,023	(699,753)	(1,160)
Balance at December 31, 2018	$ 665,075	$ 95,051	$ 3,119,029	$ 21,621,290	$ 1,021,684	$ 756,839	$ 27,278,968
Accumulated depreciation and impairment							
Balance at January 1, 2018		$ 76,773	$ 2,749,236	$ 19,547,403	$ 854,585	$ -	$ 23,227,997
Disposals		-	(448)	(332,003)	(145,933)	-	(478,384)
Impairment losses		-	-	148,360	-	-	148,360
Depreciation expenses		1,821	72,607	649,566	46,178	-	770,172
Reclassifications		5,346	(5,346)	-	-	-	-
Balance at December 31, 2018		$ 83,940	$ 2,816,049	$ 20,013,326	$ 754,830	$ -	$ 23,668,145
Carrying amounts at December 31, 2018	$ 665,075	$ 11,111	$ 302,980	$ 1,607,964	$ 266,854	$ 756,839	$ 3,610,823
Cost							
Balance at January 1, 2019	$ 665,075	$ 95,051	$ 3,119,029	$ 21,621,290	$ 1,021,684	$ 756,839	$ 27,278,968
Additions	-	-	-	98,555	41,296	1,190,031	1,329,882
Disposals	-	-	(12,828)	(1,101,071)	(80,848)	-	(1,194,747)
Reclassifications	-	1,380	37,265	927,787	46,694	(1,123,514)	(110,388)
Balance at December 31, 2019	$ 665,075	$ 96,431	$ 3,143,466	$ 21,546,561	$ 1,028,826	$ 823,356	$ 27,303,715
Accumulated depreciation and impairment							
Balance at January 1, 2019		$ 83,940	$ 2,816,049	$ 20,013,326	$ 754,830	$ -	$ 23,668,145
Disposals		-	(12,828)	(1,100,590)	(62,052)	-	(1,175,470)
Impairment losses		-	-	45,374	-	-	45,374
Depreciation expenses		1,481	60,527	637,506	52,691	-	752,205
Balance at December 31, 2019		$ 85,421	$ 2,863,748	$ 19,595,616	$ 745,469	$ -	$ 23,290,254
Carrying amounts at December 31, 2019	$ 665,075	$ 11,010	$ 279,718	$ 1,950,945	$ 283,357	$ 823,356	$ 4,013,461

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

As a result of the declining sales in the market for several types of vehicles, the estimated future cash flows expected to arise from related equipment had decreased. Thus, the Corporation recognized impairment losses of $45,374 thousand and $148,360 thousand for the years ended December 31, 2019 and 2018, respectively. The Corporation determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rates used in measuring value in use were 3.47%-4.44% and 6.047%-6.69% per annum, respectively.

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

Category	
Land improvements	3-20 years
Buildings	3-55 years
Machinery	3-15 years
Other equipment	3-15 years

16. INVESTMENT PROPERTIES

Cost	
Balance at January 1, 2018	$ 1,291,013
Reclassification	1,160
Balance at December 31, 2018	$ 1,292,173
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ 469,555
Depreciation expenses	19,013
Balance at December 31, 2018	$ 488,568
Carrying amount at December 31, 2018	$ 803,605
Cost	
Balance at January 1, 2019	$ 1,292,173
Reclassification	110,388
Balance at December 31, 2019	$ 1,402,561
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 488,568
Depreciation expenses	17,688
Balance at December 31, 2019	$ 506,256
Carrying amount at December 31, 2019	$ 896,305

The investment properties were leased out for 4 to 20 years, with an option to extend the lease periods. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable from the leasing of investment properties under operating leases as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 43,337
Year 2	39,380
Year 3	35,746
Year 4	26,033
Year 5	23,201
Later than 5 years	143,857
	$ 311,554

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 34,564
Later than 1 year and not later than 5 years	49,260
	$ 83,824

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

The fair values of investment properties of the Corporation were $1,306,464 thousand and $1,309,661 thousand as of December 31, 2019 and 2018, respectively. Investment properties as of December 31, 2019 were appraised by the Corporation’s management using the valuation model in which other market participants frequently used. The valuation from management was arrived at by reference to market evidence of transaction prices for similar properties. In 2018, except for some of the Corporation’s investment properties which were appraised by an independent valuer on the balance sheet date, the remaining investment properties were appraised by the Corporation’s management using the valuation model in which other market participants frequently used. The valuation from management was arrived at by reference to market evidence of transaction prices for similar properties. The independent valuer’s valuation was based on the weighted-average cost analysis and revenue method and the assumptions used in 2018 include a discount rate of 3.04% and a capitalization rate of 2.24%.

17. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries or bonuses	$ 810,422	$ 883,618
Payable for taxes	217,741	172,940
Payable for warranties	174,702	216,086
Provisions for employee benefit	125,623	145,560
Others	493,881	420,227
	$ 1,822,369	$ 1,838,431

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 2,086,713	$ 2,141,575
Fair value of plan assets	(1,460,045)	(1,413,261)
Net defined benefit liabilities	$ 626,668	$ 728,314

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2018	$ 2,083,628	$ (1,156,703)	$ 926,925
Service cost			
Past service cost	47,004	-	47,004
Current service cost	37,109	-	37,109
Net interest expense (income)	26,045	(14,571)	11,474
Recognized in profit or loss	110,158	(14,571)	95,587
Remeasurement			
Return on plan assets	-	(31,651)	(31,651)
Actuarial loss			
Changes in financial assumptions	28,530	-	28,530
Experience adjustments	4,219	-	4,219
Recognized in other comprehensive income	32,749	(31,651)	1,098

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Contributions from the employer	$ -	$ (256,109)	$ (256,109)
Benefits paid	(45,773)	45,773	-
Portion of benefits paid by the Corporation	(39,187)	-	(39,187)
Balance at December 31, 2018	2,141,575	(1,413,261)	728,314
Service cost			
Past service cost	36,999	-	36,999
Current service cost	32,088	-	32,088
Net interest expense (income)	24,037	(15,943)	8,094
Recognized in profit or loss	93,124	(15,943)	77,181
Remeasurement			
Return on plan assets	-	(46,730)	(46,730)
Actuarial loss			
Changes in financial assumptions	80,747	-	80,747
Experience adjustments	7,493	-	7,493
Recognized in other comprehensive income	88,240	(46,730)	41,510
Contributions from the employer	-	(152,311)	(152,311)
Benefits paid	(168,200)	168,200	-
Portion of benefits paid by the Corporation	(68,026)	-	(68,026)
Balance at December 31, 2019	$ 2,086,713	$ (1,460,045)	$ 626,668

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 44,421	$ 54,439
Selling and marketing expenses	5,817	3,186
General and administrative expenses	6,084	11,059
Research and development expenses	20,412	26,323
	$ 76,734	$ 95,007

The disbursement amounts of defined benefit plans of subsidiaries and associates were $447 thousand and $580 thousand in 2019 and 2018, respectively.

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	December 31	
	2019	**2018**
Discount rate	0.75%	1.125%
Expected rate of salary increase	1.25%	1.25%

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

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (54,323)	$ (56,527)
0.25% decrease	$ 56,360	$ 58,707
Expected rate of salary increase		
0.25% increase	$ 55,005	$ 57,486
0.25% decrease	$ (53,287)	$ (55,626)

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

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 103,537	$ 152,817
Average duration of the defined benefit obligation	10.8 years	11.1 years

19. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2019	**2018**
Numbers of shares authorized (in thousands)	1,800,000	1,800,000
Amount of shares authorized	$ 18,000,000	$ 18,000,000
Number of shares issued and fully paid (in thousands)	553,620	1,384,051
Shares issued	$ 5,536,203	$ 13,840,508

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

2) Capital reduction in cash

For the purposes of adjusting its capital structure and enhancing the return on shareholders' equity, the Corporation resolved in its board of directors' meeting on March 27, 2019 and subsequently in the shareholders' meeting in June 2019 to implement a capital reduction in cash through the return of share proceeds to shareholders. The total capital reduction amounted to $8,304,305 thousand, which represented the cancellation of 830,431 thousand shares (capital reduction ratio was 60%). After the capital reduction, the amount of paid-in capital was $5,536,203 thousand. The capital reduction was approved by the FSC on July 23, 2019. In addition, the record date of the capital reduction, which was set as August 8, 2019, had been approved by the board of directors in August 2019 and the change in registration was completed on August 19, 2019.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Conversion of bonds	$ 5,183,923	$ 5,183,923
Issuance of ordinary shares	1,184,920	1,184,920
Others	4,666	4,666
May be used to offset a deficit only		
Changes in percentage of ownership interest in subsidiaries (Note 2)	2,225	2,225
Share of changes in capital surplus of associates	38,384	27,899
	$ 6,414,118	$ 6,403,633

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

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 21.

The operating environment 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 shareholders' interests while realizing the Corporation's long-term financial plan. Dividends are distributed at no less than 40% of profits after tax, but dividends cannot be distributed if the Corporation has deficit. Dividends are paid in the form of cash or stock. The Corporation's policy is that cash dividends should be at least 20% of total dividends.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reserved from a special reserve by the Corporation.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings in June 2019 and 2018, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2018	**For Year 2017**	**For Year 2018**	**For Year 2017**
Legal reserve	$ 359,300	$ 410,564		
Cash dividends	2,352,886	2,491,292	$ 1.7	$ 1.8

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

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

The appropriations of earnings for 2019, which were proposed in the board of directors' meeting on March 26, 2020, are subject to the resolution of the shareholders in their meeting to be held in June 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 1,046,967	$ 1,051,658
Reversals		
Disposal of subsidiaries and associates	(17,308)	(4,691)
Disposal of property, plant and equipment	(5)	-
Balance at December 31	$ 1,029,654	$ 1,046,967

e. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (653,816)	$ (485,118)
Share from subsidiaries, associates and joint ventures accounted for using the equity method	(380,878)	(168,698)
Reclassification adjustments		
Share from the disposal of subsidiaries and associates accounted for using the equity method	36,503	-
Balance at December 31	$ (998,191)	$ (653,816)

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 117,177	$ 273,866
Recognized for the year		
Unrealized gain (loss) - equity instruments	12,081	(7,335)
Share from subsidiaries and associates accounted for using the equity method	169,331	(154,319)
Other comprehensive gain (loss) recognized for the year	181,412	(161,654)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(82,027)	4,965
Balance at December 31	$ 216,562	$ 117,177

3) Cash flow hedges

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 20,997	$ (12,253)
Effect of change in tax rate	-	382
Recognized for the year		
Gain on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	(5,155)	9,889
Foreign currency risk - spot rate	5,557	5,893
Share from subsidiaries and joint ventures accounted for using the equity method	354	17,086
Other comprehensive income recognized for the year	756	33,250
Transferred to initial carrying amount of hedged items	(41,721)	-
Balance at December 31	$ (19,968)	$ 20,997

20. REVENUE

	December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods		
Vehicles revenue	$ 22,064,113	$ 22,425,585
Materials revenue	3,815,283	3,701,225
	25,879,396	26,126,810
Services revenue	424,910	412,069
Rental income	60,718	47,093
	$ 26,365,024	$ 26,585,972

21. NET PROFIT (LOSS)

Net profits (loss) are concluded as follows:

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 660,099	$ 674,126
Operating expenses	110,744	115,059
	$ 770,843	$ 789,185
An analysis of amortization by function		
Operating costs	$ 5	$ -
Operating expenses	37,333	39,692
	$ 37,338	$ 39,692
An analysis of amortization of intangible assets by function		
Research and development expenses	$ 57,762	$ 40,591

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

	For the Year Ended December 31	
	2019	2018
Rental income from investment properties	$ 54,186	$ 43,274
Direct operating expenses from investment properties that generated rental income	$ 21,636	$ 21,549

c. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 2,324,855	$ 2,440,062
Post-employment benefits		
Defined contribution plans	50,762	47,732
Defined benefit plans	76,734	95,007
	$ 2,452,351	$ 2,582,801
An analysis of employee benefits expense by function		
Operating costs	$ 1,241,364	$ 1,280,346
Operating expenses	1,210,987	1,302,455
	$ 2,452,351	$ 2,582,801

d. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 0.1% and no higher than 0.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. Due to the net loss before income tax for the year ended December 31, 2019, the Corporation did not accrue employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2018, which were approved by the Corporation's board of directors in March 2019, are as follows:

Accrual rate

	For the Year Ended December 31, 2018
Employees' compensation	0.85%
Remuneration of directors	0.50%

Amount

	For the Year Ended December 31, 2018
	Cash
Employees' compensation	$ 33,511
Remuneration of directors	19,746

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 358,522	$ 180,568
Adjustments for prior years	(10,063)	(79,247)
	348,459	101,321
Deferred tax		
In respect of the current year	124,541	176,693
Adjustments for prior years	-	74,625
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(49,639)
	124,541	201,679
Income tax expense recognized in profit or loss	$ 473,000	$ 303,000

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

	For the Year Ended December 31	
	2019	2018
Profit (loss) before tax	$ (1,992,573)	$ 3,895,999
Income tax expense calculated at the statutory rate (20%)	$ (398,515)	$ 779,200
Tax-exempt income	956,946	(509,165)
Income tax on unappropriated earnings	-	112,790
Investment credits	(83,612)	(67,833)
Effect of tax rate changes	-	(49,639)
Unrecognized deductible temporary differences	8,244	42,269
Adjustments for prior years' tax	(10,063)	(4,622)
Income tax expense recognized in profit or loss	$ 473,000	$ 303,000

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
In respect of the current year		
Remeasurement of defined benefit plans	$ 8,302	$ 219
Cash flow hedges	(101)	(3,946)
Effect of change in tax rate	-	5,473
Total income tax recognized in other comprehensive income	$ 8,201	$ 1,746

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable (included in other current assets)	$ 63,432	$ 69,798
Current tax liabilities		
Income tax payable	$ 245,152	$ 28,148

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Other	Closing Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 121,415	$ (28,620)	$ 8,302	$ -	$ 101,097
Other payables	71,275	(11,210)	-	-	60,065
Inventories	24,415	2,477	-	-	26,892
Others	13,200	1,916	(1,501)	4,213	17,828
	$ 230,305	$ (35,437)	$ 6,801	$ 4,213	$ 205,882
Deferred tax liabilities					
Temporary differences					
Investments accounted for using the equity method	$ 116,538	$ 89,104	$ -	$ -	$ 205,642
Others	1,400	-	(1,400)	-	-
	$ 117,938	$ 89,104	$ (1,400)	$ -	$ 205,642

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Defined benefit plans	$ 136,961	$ (20,856)	$ 5,310	$ 121,415
Other payables	55,862	15,413	-	71,275
Inventories	23,150	1,265	-	24,415
Others	21,922	(6,558)	(2,164)	13,200
	237,895	(10,736)	3,146	230,305
Loss carryforwards	74,405	(74,405)	-	-
	$ 312,300	$ (85,141)	$ 3,146	$ 230,305
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ -	$ 116,538	$ -	$ 116,538
Others	-	-	1,400	1,400
	$ -	$ 116,538	$ 1,400	$ 117,938

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

	December 31	
	2019	2018
Deductible temporary differences	$ 1,522,882	$ 1,481,664

f. Income tax assessments

The income tax returns of the Corporation through 2017 have been assessed by the tax authorities.

23. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings (loss) per share	$ (2.38)	$ 2.64
Diluted earnings (loss) per share	$ (2.38)	$ 2.63

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

Net Profit (loss) for the Year

	For the Year Ended December 31	
	2019	**2018**
Profit (loss) of the Corporation	$ (2,465,573)	$ 3,592,999

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

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share		
Weighted average number of ordinary shares	1,051,879	1,384,051
Adjustment for associates holding shares	(15,655)	(20,599)
	1,036,224	1,363,452
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	1,801
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,036,224	1,365,253

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

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will 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, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. Due to the net loss after tax for the year ended December 31, 2019, the Corporation did not compute the diluted loss per share with anti-dilutive effects by assuming that employees' compensation would be distributed in the form of shares.

24. DISPOSAL OF SUBSIDIARY - WITH LOSS OF CONTROL

In order to strengthen the Corporation's capital structure and focus on the development of its business, the Corporation, Sino Diamond Motors and Alliance Investment & Management disposed of 72.81% interest in its subsidiary, Gatetech Technology, to a non-related party. The disposal was completed on November 30, 2019, on which date control of Gatetech Technology passed to the acquirer. For details about the disposal of Gatetech Technology, refer to Note 28 to the Corporation's consolidated financial statements for the year ended December 31, 2019.

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENTS

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

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

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Domestic unlisted securities	$ -	$ -	$ 617,612	$ 617,612
Mutual funds	320,367	-	-	320,367
Derivative financial instruments	-	-	304	304
	$ 320,367	$ -	$ 617,916	$ 938,283
Financial assets at FVTOCI				
Domestic listed securities	$ 29,083	$ -	$ -	$ 29,083
Domestic unlisted securities	-	-	13,585	13,585
	$ 29,083	$ -	$ 13,585	$ 42,668
Financial assets for hedging				
Non-derivative financial instruments	$ 398,424	$ -	$ -	$ 398,424
Derivative financial instruments	-	-	440	440
	$ 398,424	$ -	$ 440	$ 398,864
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities for hedging (included in current liabilities)	$ -	$ -	$ 2,483	$ 2,483
Derivative financial instruments (included in other current liabilities)				
	$ -	$ -	$ 6,884	$ 6,884

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Domestic unlisted securities	$ -	$ -	$ 671,565	$ 671,565
Mutual funds	478,786	-	-	478,786
Derivative financial instruments	-	-	23	23
	$ 478,786	$ -	$ 671,588	$ 1,150,374
Financial assets at FVTOCI				
Domestic listed securities	$ 18,673	$ -	$ -	$ 18,673
Domestic unlisted securities	-	-	12,318	12,318
	$ 18,673	$ -	$ 12,318	$ 30,991
Financial assets for hedging				
Non-derivative financial instruments	$ 218,956	$ -	$ -	$ 218,956
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	$ -	$ -	$ 79	$ 79

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

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

For the year ended December 31, 2019

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	$ 671,565	$ 23	$ 12,318	$ -	$ 683,906
Recognized in profit or loss	(53,953)	281	-	-	(53,672)
Recognized in other comprehensive income	-	-	1,267	440	1,707
Balance at December 31	$ 617,612	$ 304	$ 13,585	$ 440	$ 631,941

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	$ 79	$ -	$ 79
Recognized in profit or loss	2,404	-	2,404
Recognized in other comprehensive loss	-	6,884	6,884
Balance at December 31	$ 2,483	$ 6,884	$ 9,367

For the year ended December 31, 2018

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Total
Balance at January 1	$ 703,983	$ -	$ 16,444	$ 720,427
Recognized in profit or loss	(32,418)	23	-	(32,395)
Recognized in other comprehensive loss	-	-	(3,519)	(3,519)
Sales	-	-	(607)	(607)
Balance at December 31	$ 671,565	$ 23	$ 12,318	$ 683,906

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	$ 2,954	$ 12,362	$ 15,316
Recognized in profit or loss	(2,875)	-	(2,875)
Recognized in other comprehensive income	-	(12,362)	(12,362)
Balance at December 31	$ 79	$ -	$ 79

3) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Derivative financial instruments: The fair values of foreign exchange forward contracts of future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b) Domestic unlisted equity securities to which the market approach was applied: The fair values of domestic unlisted shares were determined with reference to the share prices of listed companies with similar businesses as the Corporation. The material unobservable inputs are as follows:

	December 31	
	2019	**2018**
Operating income ratio	0.92-2.85 times	0.79-3.26 times
P/B ratio	0.78-6.19 times	1.05-4.49 times
Discount rate for lack of marketability	32.28%	32.28%

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

	December 31	
	2019	**2018**
Operating income ratio		
0.1 time increase	$ 42	$ 38
0.1 time decrease	$ (42)	$ (38)
P/B ratio		
0.1 time increase	$ 62,946	$ 68,223
0.1 time decrease	$ (62,946)	$ (68,223)

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ 938,283	$ 1,150,374
Financial assets for hedging	398,864	218,956
Financial assets at amortized cost (Note 1)	6,839,997	14,601,038
Financial assets at FVTOCI	42,668	30,991
Financial liabilities		
Amortized cost (Note 2)	4,929,373	4,550,881
FVTPL (included in other current liabilities)		
Held for trading	2,483	79
Derivative instruments in designated hedge accounting relationships (included in other current liabilities)	6,884	-

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprised notes payable and accounts payable (including related parties), other payables and deposits received (included in other non-current liabilities).

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Loss	$ (4,354)	$ (2,895)

	JPY Impact	
	For the Year Ended December 31	
	2019	**2018**
Gain	$ 70	$ 1,289
Equity	$ (8,577)	$ (2,190)

	RMB Impact	
	For the Year Ended December 31	
	2019	**2018**
Loss	$ (3,494)	$ (4,626)
Equity	$ (1,206)	$ -

b) Interest rate risk

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period was as follows.

	December 31	
	2019	**2018**
Cash flows interest rate risk		
Financial assets	$ 3,863,517	$ 11,372,479

Sensitivity analysis

The sensitivity analysis below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity rate of 0.25% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $9,659 thousand and $28,431 thousand, respectively.

The Corporation's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable rate asset instruments.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% lower, pre-tax profit for the year ended December 31, 2019 and 2018 would have decreased by $16,018 thousand and $23,939 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income would have decreased by $1,454 thousand and $934 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

3) Liquidity risk

The Corporation has sufficient operating capital to meet cash requirements for settlement of derivative transactions. Thus, liquidity risk is low.

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Related Party Name	Related Party Category
Mitsubishi Motors Corporation (Mitsubishi Motors Corp.)	Investors that have significant influence over the Corporation
Mitsubishi Corporation (Mitsubishi Corp.)	Investors that have significant influence over the Corporation
Tai Yuen Textile Co., Ltd.	Investors that have significant influence over the Corporation
Le Wen Investment Co., Ltd.	Investors that have significant influence over the Corporation
Yulon Management Company Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Corporation (Taiwan) Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Philippines Corporation	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Thailand	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Corporation Technos	Subsidiary of investors that have significant influence over the Corporation
Shye Shyang Mechanical Industrial Co., Ltd.	The Corporation is its major management authority
Fuzhou Samuel Mechanical and Electrical Co., Ltd.	The Corporation is its major management authority
Uni-Calsonic Corp.	Associate
Yulon Motor Co., Ltd.	Associate
Fortune Motors Co., Ltd. (Fortune Motors)	Associate
ROC Spicer Ltd. (ROC-Spicer)	Associate
Uni-Auto Parts Manufacture Co., Ltd. (Uni-Auto Parts)	Associate
Shung Ye Motor Co., Ltd. (Shung Ye Motor)	Associate
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Associate
Yulon IT Solutions Inc.	Associate
Sinjang Co., Ltd.	Associate
Tokio Marine Newa Insurance Co., Ltd.	Associate
Hong Shuo Cultural Enterprises, Co., Ltd.	Associate
Hsiang Shuo Enterprises	Associate
Sinqual Technology Co., Ltd.	Associate
Yufong Property Management Co., Ltd.	Associate
Taiwan Acceptance Corporation	Associate
Yue Sheng Industrial Co., Ltd.	Associate

(Continued)

Related Party Name	Related Party Category
Y-Teks Co., Ltd.	Associate
Yulon Energy Service Co., Ltd.	Associate
Yue Ki Industrial Co., Ltd.	Associate
Carplus Auto Leasing Corporation	Associate
Hsieh-Shin Motors Co., Ltd.	Associate
Yu Rich Financial Services Company	Associate
ROC-Keeper Industrial Ltd.	Associate
Taiguang Investment (HK) Co., Ltd. (Taiguang Investment)	Associate
ROC-Spicer Investment Co., Ltd. (BVI) (ROC-Spicer Investment)	Associate
Tai-Ya Investment (HK) Co., Ltd. (Tai-Ya Investment)	Associate
Fujian Spicer Drivetrain System Co., Ltd. (Fujian Spicer)	Associate
Kian Shen Corporation (Kian Shen)	Subsidiary
COC Tooling & Stamping Co., Ltd.	Subsidiary
Y. M. Hi-Tech Industry Ltd.	Subsidiary
China Engine Corporation (China Engine)	Subsidiary
Gatetech Technology Inc. (“Gatetech Technology”)	Subsidiary (Note 1)
Gatetech (Suchou) Technology Co., Ltd.	Subsidiary (Note 1)
Ling Wei Motor Co., Ltd. (“Ling Wei”)	Subsidiary
Brilliant Insight International Consultancy Service Co., Ltd.	Subsidiary
Greentrans Corporation	Subsidiary
Sino Diamond Motors Corporation (“Sino Diamond Motors”)	Subsidiary
Hwa-Lin Investments Ltd.	Subsidiary
Hwa-Wei Holdings Corporation Ltd.	Subsidiary
Fujian Rui Hua Consulting Co., Ltd.	Subsidiary
Jiangsu Greentrans Automotive Parts Co., Ltd.	Subsidiary
South East (Fujian) Motor Corporation Ltd.	Joint Venture
Fujian Benz Automotive Co., Ltd.	Joint Venture
China Engine (Fujian)	Joint Venture
Yuanchuang Industrial Investment Consulting Co., Ltd.	Substantive related party
Automotive Research & Testing Center	Substantive related party (Note 2)

(Concluded)

Note 1: The Corporation became a non-related party since December 2019.

Note 2: The Corporation became a non-related party since August 2018.

b. Operating transactions

1) Sales of goods

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Sales	Associates		
	Fortune Motors	$ 17,577,745	$ 17,454,487
	Shung Ye Motor	3,956,366	4,398,207
	Others	17,228	21,003
		21,551,339	21,873,697
	Subsidiaries	490,665	387,222
	Investors and subsidiaries of the investors that have significant influence over the Corporation	105,293	127,786
	Joint ventures	11,881	28,113
		$ 22,159,178	$ 22,416,818

2) Purchases of goods

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Purchases	Associates	$ 1,727,775	$ 1,513,357
	Investors and subsidiaries of the investors that have significant influence over the Corporation		
	Mitsubishi Corp.	1,411,501	1,714,457
	Others	136,951	136,719
		1,548,452	1,851,176
	Subsidiaries	1,036,595	1,030,536
	The Corporation is its major management authority	330,554	326,661
	Others	638	772
		$ 4,644,014	$ 4,722,502

3) Technical services expenses

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Cost of goods sold and selling and marketing expenses	Investors that have significant influence over the Corporation	$ 214,652	$ 190,038

4) Development expenses

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	2018
Research and development expenses	Investors that have significant influence over the Corporation	$ 47,981	$ 53,493
	Subsidiaries	-	2,164
	Others	38	186
		$ 48,019	$ 55,843

5) Acquisitions of property, plant and equipment

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	2018
Property, plant and equipment	Associates	$ 100,917	$ 30,621
	Subsidiaries	5,431	3,235
	The Corporation is its major management authority	1,580	7,349
		$ 107,928	$ 41,205

6) Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2019	2018	Gain (Loss) on Disposal (Included in other income and other expense) For the Year Ended December 31 2019	2018
Subsidiaries				
Ling Wei	$ 11,756	$ 10,294	$ (1,063)	$ (1,981)
Others	515	-	515	-
	$ 12,271	$ 10,294	$ (548)	$ (1,981)

7) Receivables from related parties

Line Items	Related Party Category/Name	December 31 2019	December 31 2018
Trade receivables from related parties	Associates		
	Fortune Motors	$ 900,173	$ 796,615
	Shung Ye Motor	256,873	284,533
	Others	1,149	3,777
		1,158,195	1,084,925
	Subsidiaries	99,908	140,257
	Investors and subsidiaries of the investors that have significant influence over the Corporation	7,538	13,624
	Joint ventures	2,174	2,450
	Others	47	-
		$ 1,267,862	$ 1,241,256

8) Loans to related parties

Line Items	Related Party Category/Name	December 31 2019	December 31 2018
Other receivables	Subsidiaries		
	Sino Diamond Motors	$ 600,148	$ 700,169

Line Items	Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Interest revenue	Subsidiaries		
	Sino Diamond Motors	$ 6,759	$ 5,548

The Corporation provided financing to its subsidiary, Sino Diamond Motors, at rates comparable to market interest rates. For the years ended December 31, 2019 and 2018, the financing provided to its subsidiary were all unsecured loans.

9) Prepayments

Line Items	Related Party Category/Name	December 31 2019	December 31 2018
Prepayments	Investors and subsidiaries of the investors that have significant influence over the Corporation	$ 6,260	$ 13,976
	Subsidiaries	1,009	1,782
	Joint ventures	79	-
		$ 7,348	$ 15,758

10) Payables to related parties

Line Items	Related Party Category/Name	December 31 2019	December 31 2018
Trade payables to related parties	Associates		
	Uni-Auto Parts	$ 147,613	$ 75,239
	ROC-Spicer	100,743	86,961
	Others	192,333	239,873
		440,689	402,073
	Investors and subsidiaries of the investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	92,215	91,480
	Others	39,110	76,081
		131,325	167,561
	Subsidiaries		
	Kian Shen	130,142	58,298
	Others	109,700	68,145
		239,842	126,443
	The Corporation is its major management authority	68,622	58,864
	Joint ventures	6,662	5,742
		$ 887,140	$ 760,683

11) Contract liabilities

Line Items	Related Party Category/Name	December 31 2019	December 31 2018
Other current liabilities	Subsidiaries		
	China Engine	$ 20,515	$ -
	Others	1,404	5,465
		21,919	5,465
	Associates	1,688	75
		$ 23,607	$ 5,540

12) Acquisitions of financial assets

For the year ended December 31, 2018

Related Party Category/Name	Line Items	Underlying Assets	Purchase Price
Subsidiaries			
Gatetech Technology	Financial assets at amortized cost	2-year secured corporate bond	$ 150,000

The outstanding payables to related parties were not guaranteed and would be paid in cash. The Corporation received guarantees from some of the receivables from related parties. For the years ended December 31, 2019 and 2018, no loss allowance was recognized for trade receivables from related parties.

Except for the accounts receivable from Y.M. Hi-Tech Industry Ltd. whose prices and payment periods are based on the contract terms, other transactions with related parties have the same pricing and payment terms as of those for third parties. For lease contracts entered into with related parties, rental prices were determined by reference to market, and had general payment terms.

The Corporation signed a contract with Mitsubishi Motor Corp, refer to Note 28 for the details.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 63,933	$ 95,917
Post-employment benefits	569	820
	$ 64,502	$ 96,737

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

28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as the tariff of importing vehicle parts and materials and escrows:

	December 31	
	2019	**2018**
Pledged deposits (included in other current assets)	$ 103,139	$ 82,698

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2019 were as follows:

a. The Corporation issued guarantee notes amounting to $4,233,424 thousand which had been pledged as collateral for loans from banks and other financial organizations and for government grants; unused letters of credit amounted to $45,858 thousand.

b. The Corporation entered into agreements with Mitsubishi Motor Corp. as stated below:

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

c. The status of endorsements/guarantees is listed in Table 2.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
JPY	$ 1,480,139	0.2760	$ 408,518
RMB	80,791	4.3050	347,804
USD	6,130	29.9800	183,783
Non-monetary items			
Investments accounted for using the equity method			
EUR	84,261	33.5900	2,830,313
RMB	88,648	4.3050	381,631
Foreign currency liabilities			
Monetary items			
JPY	661,861	0.2760	182,674

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
RMB	$ 118,237	4.4720	$ 528,756
JPY	868,049	0.2782	241,491
USD	5,181	30.7150	159,137
Non-monetary items			
Investments accounted for using the equity method			
EUR	72,973	35.2000	2,568,646
RMB	83,148	4.4720	371,839
Foreign currency liabilities			
Monetary items			
JPY	544,481	0.2782	151,475

For the years ended December 31, 2019 and 2018, net foreign exchange losses (realized and unrealized) were $12,381 thousand and $5,282 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

31. SEPARATELY DISCLOSED ITEMS

Excluding items disclosed in Notes 7, 11, 26 and Tables 1 to 8, there are no other separately disclosed items.

TABLE 1

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Note 1)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 3)
													Item	Value		
0	China Motor Corporation	Sino Diamond Motors	Other receivables	Yes	$ 700,000	$ 600,000	$ 600,000	1	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 1,162,262	$ 7,748,412
1	Hwa-Lin	Sichuan Huafeng Hanwei	Other receivables	Yes	66,111 (US$ 1,200 thousand and RMB 7,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Guangzhou Huayou Motor Maintenance	Other receivables	Yes	88,896 (US$ 1,960 thousand and RMB 7,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huayi	Other receivables	Yes	107,029 (US$ 3,570 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huashun	Other receivables	Yes	30,135 (RMB 7,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
2	Guangzhou Huayou Motor Maintenance	Guangzhou Huayou Motor Sales	Other receivables	Yes	430,500 (RMB 100,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Tianjin Hwahong	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Sichuan Huafeng Hanwei	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huashun	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huayi	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
3	Sichuan Huafeng Hanwei	Sichuan Lingwei	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Tianjin Hwahong	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Guangzhou Huayou Motor Maintenance	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount (Note 1)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 3)
													Item	Value		
		Dongguan Huashun	Other receivables	Yes	$ 129,150 (RMB 30,000 thousand)	$ -	$ -	-	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 1,162,262	$ 7,748,412
		Dongguan Huayi	Other receivables	Yes	129,150 (RMB 30,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
4	Tianjin Hwarui	Tianjin Hwahong	Other receivables	Yes	43,050 (RMB 10,000 thousand)	43,050 (RMB 10,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Guangzhou Huayou Motor Maintenance	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huayi	Other receivables	Yes	129,150 (RMB 30,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huashun	Other receivables	Yes	129,150 (RMB 30,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
5	Tianjin Hwahong	Tianjin Hwarui	Other receivables	Yes	215,250 (RMB 50,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Sichuan Huafeng Hanwei	Other receivables	Yes	86,100 (RMB 20,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huayi	Other receivables	Yes	86,100 (RMB 20,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Dongguan Huashun	Other receivables	Yes	86,100 (RMB 20,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Guangzhou Huayou Motor Maintenance	Other receivables	Yes	129,150 (RMB 30,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
6	Dongguan Huayi	Dongguan Huashun	Other receivables	Yes	215,250 (RMB 50,000 thousand)	86,100 (RMB 20,000 thousand)	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
7	Dongguan Huashun	Dongguan Huayi	Other receivables	Yes	86,100 (RMB 20,000 thousand)	86,100 (RMB 20,000 thousand)	43,050 (RMB 10,000 thousand)	3.915	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Sichuan Huafeng Hanwei	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Tianjin Hwahong	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412
		Guangzhou Huayou Motor Maintenance	Other receivables	Yes	43,050 (RMB 10,000 thousand)	-	-	-	Short-term financing	-	Working capital	-	-	-	1,162,262	7,748,412

Note 1: Translated at the exchange rates of US$1:NT$29.98 and RMB1:NT$4.305 on December 31, 2019.

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

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

(Concluded)

TABLE 2

CHINA MOTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year (Note)	Outstanding Endorsement/ Guarantee at the End of the Year (Note)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiary	Endorsement/ Guarantee Given by Subsidiary on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Company in Mainland China
		Name	Relationship										
1	Sino Diamond Motors	Dongguan Huayi	Subsidiary	20% of the Corporation's issued capital, $1,107,241 thousand	$ 430,500 (RMB 100,000 thousand)	$ 430,500 (RMB 100,000 thousand)	$ -	$ -	1.1	50% of the Corporation's issued capital, $2,768,102 thousand	No	No	Yes
		Tianjin Hwarui	Subsidiary	20% of the Corporation's issued capital, $1,107,241 thousand	430,500 (RMB 100,000 thousand)	430,500 (RMB 100,000 thousand)	-	-	1.1	50% of the Corporation's issued capital, $2,768,102 thousand	No	No	Yes
		Guangzhou Huayou Motor Maintenance	Subsidiary	20% of the Corporation's issued capital, $1,107,241 thousand	215,250 (RMB 50,000 thousand)	-	-	-	-	50% of the Corporation's issued capital, $2,768,102 thousand	No	No	Yes
		Sichuan Huafeng Hanwei	Subsidiary	20% of the Corporation's issued capital, $1,107,241 thousand	215,250 (RMB 50,000 thousand)	-	-	-	-	50% of the Corporation's issued capital, $2,768,102 thousand	No	No	Yes

Note: Translated at the exchange rate of RMB1:NT$4.305 on December 31, 2019.

TABLE 3

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2019 Number of Shares (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Fair Value	Note
China Motor Corporation	Beneficiary certificates							
	Franklin Templeton SinoAm Money Market	-	Financial assets at fair value through profit or loss - current	4,867	$ 50,518	-	$ 50,518	
	Fubon Chi Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,205	50,468	-	50,468	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss - current	4,201	50,467	-	50,467	
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,856	30,292	-	30,292	
	Sinopac Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,167	30,280	-	30,280	
	Paradigm Pion Money Market	-	Financial assets at fair value through profit or loss - current	2,610	30,280	-	30,280	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,906	30,275	-	30,275	
	Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,423	30,250	-	30,250	
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	612	10,270	-	10,270	
	CTBC Hua Win Money Market Fund	-	Financial assets at fair value through profit or loss - current	657	7,267	-	7,267	
	Shares							
	Shye Shyang Machinery Industrial	Corporate director	Financial assets at fair value through profit or loss - non-current	9,009	617,612	10.00	617,612	
	Myson Century, Inc.	Corporate director	Fair value through other comprehensive income financial assets - non-current	4,705	28,134	7.84	28,134	
	Taiwan Aerospace	-	Fair value through other comprehensive income financial assets - non-current	811	11,847	0.60	11,847	
	NORM Pacific Automation Corp.	-	Fair value through other comprehensive income financial assets - non-current	128	1,738	0.45	1,738	
	Carnival	-	Fair value through other comprehensive income financial assets - non-current	95	949	0.05	949	
	Com2B (Cayman) Corp.	-	Fair value through other comprehensive income financial assets - non-current	2,000	-	4.44	-	

(Continued)

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership	Fair Value	
	Corporate bonds							
	Taiwan Acceptance Corp.	Associate	Amortized cost financial assets - non-current	-	$ 248,452	-	$ -	
	Morgan Stanley	-	Amortized cost financial assets - non-current	-	129,060	-	-	
	Gatetech Technology	-	Amortized cost financial assets - non-current	-	119,088	-	-	
	Evergreen Marine Corporation	-	Amortized cost financial assets - non-current	-	99,922	-	-	
	Crédit Agricole Corporate and Investment Bank SA	-	Amortized cost financial assets - non-current	-	86,034	-	-	
	Fonterra Co-operative Group Ltd.	-	Amortized cost financial assets - non-current	-	43,040	-	-	
	Deutsche Bank Aktiengesellschaft, Singapore Branch	-	Amortized cost financial assets - non-current	-	43,017	-	-	
Kian Shen	Beneficiary certificates							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	101	18,003	-	18,003	
KSIHK	Shares							
	Beijing NTN-SEOHAN Driveshaft	-	Fair value through other comprehensive income financial assets - non-current	-	32,019 (RMB 7,438 thousand)	9.00	32,019	
Alliance Investment & Management	Shares							
	Samuel (Cayman) Co., Ltd.	-	Fair value through other comprehensive income financial assets - non-current	6,327	100,996	15.07	100,996	
	Carplus Auto Leasing Corporation	-	Financial assets at fair value through profit or loss - non-current	3,248	68,801	3.45	68,801	
	T-Car Inc.	-	Fair value through other comprehensive income financial assets - non-current	1,275	19,849	4.05	19,849	
	Solidlite Corporation	-	Fair value through other comprehensive income financial assets - non-current	789	5,844	3.60	5,844	
	Site information service	-	Fair value through other comprehensive income financial assets - non-current	65	2,678	0.54	2,678	
	Phalanx Biotech Group	-	Fair value through other comprehensive income financial assets - non-current	696	3,288	0.85	3,288	
	Preference shares							
	Rock Financial Risk Service Co., Ltd.	-	Amortized cost financial assets - non-current	-	7,860	-	-	
Hwa Lin	Principal guaranteed notes							
	President Securities 100% Principle Guaranteed Note	-	Amortized cost financial assets - current	-	8,556	-	-	
Brilliant Insight International	Beneficiary certificates							
	Taishin Ta-Chong Money Market	-	Financial assets at fair value through profit or loss - current	74	1,057	-	1,057	

Note 1: Refer to Tables 7 and 8 for the information of investments in subsidiaries and associates.

Note 2: Translated at the exchange rate of RMB1:NT$4.305 on December 31, 2019.

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note 1)		Disposal				Other Adjustment (Note 2)	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain on Disposal		Number of Shares	Amount
China Motor Corporation	Shares Gatetech Technology	Investments accounted for using the equity method	Syncmold Enterprise Corporation	-	29,278	$ 311,858	3,216	$ -	32,494	$ 415,097	$ 309,028	$ 71,314	$ (2,830)	-	$ -

Note 1: Share dividends distributed by the Corporation.

Note 2: Including profit or loss and adjustments in shareholders' equity of the investee.

TABLE 5

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, 2019
(In Thousands of New Taiwan Dollars)

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note)	
China Motor Corporation ("CMC")	Fortune Motors	Equity-method investee	Sale	$ (17,577,745)	(67)	Collect after 15-60 days of delivery	$ -	-	$ 900,173	45	
	Shung Ye Motor	Equity-method investee	Sale	(3,956,366)	(15)	Collect after 15-60 days of delivery	-	-	256,873	13	
	Mitsubishi Corp.	Director of CMC	Purchase	1,411,501	8	Pay after 7 days of cargo ship out	-	-	(39,110)	(1)	
	Uni Auto Parts Manufacture	Equity-method investee	Purchase	712,857	4	Pay after 45 days of the month of delivery	-	-	(147,613)	(5)	
	Kian Shen	Subsidiary	Purchase	620,589	4	Pay after 45 days of the month of delivery	-	-	(130,142)	(4)	
	ROC-Spicer	Equity-method investee	Purchase	479,473	3	Pay after 45 days of the month of delivery	-	-	(100,743)	(3)	
	Shye Shyang Machinery Industrial	Director of Shye Shyang Machinery Industrial	Purchase	325,031	2	Pay after 45 days of the month of delivery	-	-	(68,017)	(2)	
	COC	Subsidiary	Purchase	315,567	2	Pay after 45 days of the month of delivery	-	-	(63,890)	(2)	
	Yueki	Equity-method investee	Purchase	161,538	1	Pay after 45 days of the month of delivery	-	-	(38,073)	(1)	
	Uni-Calsonic	Equity-method investee	Purchase	150,096	1	Pay after 45 days of the month of delivery	-	-	(30,092)	(1)	
	Taiwan Mitsubishi Corp.	Subsidiary of director of CMC	Purchase	134,846	1	Pay after 25 days of cargo ship out	-	-	-	-	
Sino Diamond Motors	Fortune Motors	Equity-method investee	Sale	(1,995,300)	(69)	Collect after 15-45 days of delivery	-	-	83,168	87	
	Shung Ye Motor	Equity-method investee	Sale	(701,838)	(24)	Collect after 7-45 days of delivery	-	-	2,920	3	
	Mitsubishi Motor Corp.	Director of CMC	Purchase	1,109,771	66	Pay after 10 days of cargo ship out	-	-	-	-	
Kiah Shen	China Motor Corporation	Parent company	Sale	(620,589)	(50)	Collect after 45 days of the month of delivery	-	-	130,142	69	
	Yueki	Equity-method investee	Purchase	163,915	17	Net 105 days from the end of the month of when invoice is issued	-	-	(61,728)	(23)	
COC	China Motor Corporation	Parent company	Sale	(315,567)	(26)	Collect after 45 days of the month of delivery	-	-	63,890	11	
	Yulon	Equity-method investee	Sale	(234,143)	(19)	Collect after 45 days of the month of delivery	-	-	34,648	6	
	Yulon	Equity-method investee	Purchase	167,641	26	Net 75 days from the end of the month of when invoice is issued	-	-	(29,122)	(12)	

(Continued)

Seller/Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note)	
Y. M. Hi-Tech	Yulon	Equity-method investee	Sale	$ (120,135)	(38)	Collect after 45 days of the month of delivery	$ -	-	$ 13,682	29	
	Yulon	Equity-method investee	Purchase	117,485	39	Net 75 days from the end of the month of when invoice is issued	-	-	(59,854)	(42)	
China Engine	Hua-Chuang Automobile Information Technical Center	Equity-method investee	Sale	(148,972)	(48)	Net 90 days from the end of the month of when invoice is issued	-	-	2,019	4	
Donggun Huashun	South Eastern (Fujian) Motor	Equity-method investee	Purchase	101,197	95	Cash before delivery	-	-	(21)	(4)	

Note: The proportion of the individual company’s 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, 2019
(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	$ 900,173	20.72	$ -	-	$ 900,173	$ -
	Shung Ye Motor	Equity-method investee	256,873	14.62	-	-	256,873	-
Kian Shen	China Motor Corporation	Parent company	130,142	6.59	-	-	130,142	-

TABLE 7

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount			
China Motor Corporation	Yulon	Miaoli, Taiwan	Manufacture and sale of vehicles	$ 3,835,585	$ 3,835,585	262,228	16.80	$ 7,110,438	$ (24,465,408)	$ (4,132,080)	Equity-method investee
	Kian Shen	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	32,201	43.87	2,046,653	289,942	127,352	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and providing after sales service of vehicles	2,132,826	2,132,826	132,117	41.93	4,473,144	1,229,380	515,462	Equity-method investee
	Sino Diamond Motors	Taipei, Taiwan	Sales and providing after sales service of vehicles	2,192,724	3,463,724	151,067	100.00	1,155,029	(342,513)	(291,753)	Subsidiary
	Tokio Marine Newa Insurance	Taipei, Taiwan	Property insurance	955,941	955,941	61,511	20.57	2,052,069	967,571	199,032	Equity-method investee
	Alliance Investment & Management	Taipei, Taiwan	Investment	1,200,030	1,200,030	183,000	100.00	1,277,471	(329,726)	(333,011)	Subsidiary
	Daimler Vans Hong Kong Ltd.	Hong Kong	Investment	2,011,363	2,011,363	46,566	32.45	2,830,313	2,532,931	821,936	Equity-method investee
	ROC-Spicer	Taoyuan, Taiwan	Manufacture and sales of automobile parts	675,896	675,896	145	29.00	539,198	155,470	45,137	Equity-method investee
	CMI	Samoa	Investment	1,402	1,402	40	100.00	871,654	(254,735)	(254,735)	Subsidiary
	COC	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle	412,125	412,125	33,565	49.76	786,792	124,391	61,993	Subsidiary
	Hwa Wei	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40	40.00	579,673	(424,548)	(169,819)	Subsidiary
	Hua-Chuang Automobile Information Technical Center	Taipei, Taiwan	Product design	1,028,013	1,028,013	56,600	17.25	-	(13,237,822)	(502,338)	Equity-method investee
	Uni Auto Parts Manufacture	Miaoli, Taiwan	The production of mold, fixture and gauge of vehicles	109,813	109,813	13,032	15.00	375,791	17,078	2,536	Equity-method investee
	Shung Ye Motor	Taipei, Taiwan	Sales and providing after sales service of vehicles	391,142	391,142	29,668	39.98	394,906	83,286	33,299	Equity-method investee
	Gatetech Technology (Note)	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	-	474,941	-	-	-	18,000	10,270	Subsidiary
	China Engine	Taoyuan, Taiwan	Manufacture of automobile engine and parts	625,978	320,000	87,999	52.10	429,196	(155,080)	(40,583)	Subsidiary
	Uni-Calsonic	Miaoli, Taiwan	Manufacture and sales of automobile parts	105,806	105,806	6,084	31.20	137,393	25,987	8,127	Equity-method investee
	Yueki Industrial Co., Ltd.	Hsinchu, Taiwan	Manufacture and sales of car components	109,396	109,396	2,936	15.08	105,857	(125,045)	(18,877)	Equity-method investee
	Sin Gan	Taipei, Taiwan	Wholesale, repair and other service of vehicles	-	71,316	-	-	-	17,070	4,211	Equity-method investee
	Sin Jiang Enterprises	Taipei, Taiwan	Retail and wholesale of second-hand vehicles	-	85,893	-	-	-	8,263	1,654	Equity-method investee
	Tai-Ya Investment	Hong Kong	Investment	79,505	79,505	2,242	29.00	69,630	(15,906)	(4,613)	Equity-method investee
	Hwa Chung Motors	Taoyuan, Taiwan	Manufacture and sale of vehicles	328,900	328,900	8,790	100.00	71,679	7,766	7,766	Subsidiary
	Yulon IT Solutions	Taipei, Taiwan	Information software wholesale services	-	83,320	-	-	-	(4,366)	(1,915)	Equity-method investee
Kian Shen	Kian Shen Investment	British Virgin Islands	Investment	328,888	328,888	10,296	100.00	4,054,883	386,230	-	Subsidiary
Kian Shen Investment	KSIHK	Hong Kong	Investment	US$ 25,907 thousand	US$ 25,907 thousand	25,907	100.00	RMB 918,124 thousand	RMB 73,725 thousand	-	Subsidiary
Alliance Investment & Management	Hua-Chuang Automobile Information Technical Center	Taipei, Taiwan	Product design	473,760	473,760	26,715	8.14	-	(13,237,822)	-	Equity-method investee
	Greentrans Investment	Samoa	Investment	344,369	344,369	11,200	100.00	222,457	(35,237)	-	Subsidiary
	Gatetech Technology	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	-	145,123	-	-	-	18,000	-	Subsidiary
Sino Diamond Motors	Hua-Yu	Samoa	Overseas investment on production and service industries	1,489,334	1,758,773	36,943	100.00	674,934	(22,897)	-	Subsidiary
	Hua-Chuang Automobile Information Technical Center	Taipei, Taiwan	Product design	473,760	473,760	26,715	8.14	-	(13,237,822)	-	Equity-method investee
	China Engine	Taoyuan, Taiwan	Manufacture of automobile engine and parts	11,000	616,000	1	-	5	(155,080)	-	Subsidiary
	Gatetech Technology	Taoyuan, Taiwan	Aluminum-magnesium alloy casting industry	-	149,369	-	-	-	18,000	-	Subsidiary
	Brilliant Insight International	Taoyuan, Taiwan	Consulting and service	22,000	22,000	2,200	100.00	19,372	(1,865)	-	Subsidiary
	Shung Ye Motors	Taipei, Taiwan	Sales and providing after sales service of vehicles	180	180	12	0.02	217	83,286	-	Equity-method investee
	Fortune Motors	Taipei, Taiwan	Sales and providing after sales service of vehicles	24	24	1	-	18	1,229,380	-	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount			
Hua-Yu	Hwa-Lin	British Virgin Islands	Overseas investment on production and service industries	US$ 37,229 thousand	US$ 45,929 thousand	33,393	100.00	$ 585,036	$ (24,446)	$ -	Subsidiary
Gatetech Technology	GH	Samoa	Investment	647,041	647,041	-	-	-	11,885	-	Subsidiary
GH	GI	Samoa	Investment	US$ 20,268 thousand	US$ 20,268 thousand	-	-	-	11,885	-	Subsidiary
China Engine	Advance Power Investment	Mauritius	Reinvestment and sales	59,456	59,456	3,750	100.00	94,052	969	-	Subsidiary
	Advance Power Machinery	Miaoli, Taiwan	Manufacture of vehicles and parts	5,000	5,000	500	100.00	10,787	688	-	Subsidiary
CMI	Hwa Wei holdings	British Virgin Island	Overseas investment on production and service industries	1,428,503	1,428,503	60	60.00	869,509	(424,548)	-	Subsidiary
Hwa Chung Motors	Ling Wei	Taipei, Taiwan	Sales of second-hand vehicles	31,000	31,000	3,608	100.00	32,949	7,415	-	Subsidiary
	Greentrans	Taipei, Taiwan	Sales of motorcycles and parts	10,000	10,000	1,000	100.00	10,588	236	-	Subsidiary
COC	Y. M. Hi-Tech	Taoyuan, Taiwan	Steel cutting	46,250	46,250	4,250	85.00	66,434	8,386	-	Subsidiary
	Shye Shinn	British Virgin Islands	Investment	US$ 968 thousand	US$ 968 thousand	968	100.00	39,756	1,020	-	Subsidiary

Note: Gatetech Technology had been disposed of in November 2019.

(Concluded)

CHINA MOTOR CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 1)
					Outflow	Inflow						
South Eastern (Fujian) Motor	Manufacture and sales of industrial automation products	$ 4,137,240 (US$ 138,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	$ 1,034,310 (US$ 34,500 thousand)	$ -	$ -	$ 1,034,310 (US$ 34,500 thousand)	$ (1,606,099)	25.00	$ (401,525)	$ 1,325,589	$ 780,170 (US$ 26,023 thousand)
China Engine (Fujian)	Manufacture and sales of engines and engine parts	449,700 (US$ 15,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	224,850 (US$ 7,500 thousand)	-	-	224,850 (US$ 7,500 thousand)	3,876	38.03	1,938	188,079	-
Fujian Benz Automotive	Sales of industrial automation products	9,640,330 (EUR 287,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	1,564,152 (EUR 46,566 thousand)	-	-	1,564,152 (EUR 46,566 thousand)	5,065,866 (EUR 146,370 thousand)	16.23	825,656 (EUR 23,856 thousand)	2,828,379 (EUR 84,203 thousand)	397,806 (EUR 11,843 thousand)
Guangzhou NTN-YULON Drivertrain	Sales and manufacture of vehicles' components	374,750 (US$ 12,500 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	149,900 (US$ 5,000 thousand)	-	-	149,900 (US$ 5,000 thousand)	710,250 (RMB 158,822 thousand)	17.55	284,100 (RMB 63,529 thousand)	1,824,246 (RMB 423,751 thousand)	483,959 (RMB 112,418 thousand)
Fuzhou Fushiang Motor Industrial	Sales and manufacture of vehicles' components	533,044 (US$ 17,780 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	84,993 (US$ 2,835 thousand)	-	-	84,993 (US$ 2,835 thousand)	(152,727) (RMB -34,152 thousand)	15.35	(53,454) (RMB -11,953 thousand)	537,231 (RMB 124,792 thousand)	152,982 (RMB 35,536 thousand)
Xiangyang NTN-YULON Drivertrain	Sales and manufacture of vehicles' components	1,019,320 (US$ 34,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	-	-	-	-	441,774 (RMB 98,787 thousand)	17.55	176,710 (RMB 39,515 thousand)	854,260 (RMB 198,434 thousand)	-
Xiamen King-Long Kian-Shen Frame	Sales and manufacture of vehicles' components	413,280 (RMB 96,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	45,779 (US$ 1,527 thousand)	-	-	45,779 (US$ 1,527 thousand)	(52,312) (RMB -11,698 thousand)	21.94	(26,156) (RMB -5,849 thousand)	215,202 (RMB 49,989 thousand)	-
Beijing NTN-SEOHAN Driveshaft	The assembling and extra work of transmission shafts and other parts	179,880 (US$ 6,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	16,189 (US$ 540 thousand)	-	-	16,189 (US$ 540 thousand)	-	3.95	-	32,019 (RMB 7,438 thousand)	-
Jiangsu Greentrans Automotive Parts	Manufacture and sales of parts of electronic motorcycles	335,776 (US$ 11,200 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	335,776 (US$ 11,200 thousand)	-	-	335,776 (US$ 11,200 thousand)	(35,201)	100.00	(35,201)	222,408	-
Fujian Spicer	Manufacture of vehicles' key components, drive axle assembly and engine parts series products	881,690 (RMB 204,806 thousand)	Go directly to the mainland to invest	323,934 (US$ 10,805 thousand)	-	-	323,934 (US$ 10,805 thousand)	84,764	29.00	24,596	381,631	-
Shenyang Spicer	Manufacture and sales of automobile transmission, shafts, mechanical transmission, shafts and components	369,916 (RMB 85,927 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	78,248 (US$ 2,610 thousand)	-	-	78,248 (US$ 2,610 thousand)	(22,629) (US$ -732 thousand)	20.25	(4,583) (US$ -148 thousand)	70,782 (US$ 2,361 thousand)	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 1)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (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, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 1)
					Outflow	Inflow						
Zhejiang Kangda Motor Industry And Trading	Sales of vehicles and parts	$ 172,200 (RMB 40,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	$ 36,216 (US$ 1,208 thousand)	$ -	$ -	$ 36,216 (US$ 1,208 thousand)	$ -	-	$ -	$ -	$ -
Fujian Rui Hua	Consultation and services	101,932 (US$ 3,400 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	101,932 (US$ 3,400 thousand)	-	-	101,932 (US$ 3,400 thousand)	1,550	100.00	1,550	89,859	-
Guangzhou Huayou Motor Maintenance (Note 4)	Sales and maintenance of vehicles and parts	384,044 (US$ 12,810 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	335,746 (US$ 11,199 thousand)	-	-	335,746 (US$ 11,199 thousand)	8,824	100.00	8,824	36,793	-
Sichuan Huafeng Hanwei (Note 4)	Sales and maintenance of vehicles and parts	399,633 (US$ 13,330 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	399,633 (US$ 13,330 thousand)	-	-	399,633 (US$ 13,330 thousand)	(62)	100.00	(62)	56,220	-
Tianjin Hwarui	Sales and maintenance of vehicles and parts	240,440 (US$ 8,020 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	232,675 (US$ 7,761 thousand)	-	-	232,675 (US$ 7,761 thousand)	(4,289)	100.00	(4,289)	199,164	-
Dongguan Huayi	Sales and maintenance of vehicles and parts	133,411 (US$ 4,450 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	126,426 (US$ 4,217 thousand)	-	-	126,426 (US$ 4,217 thousand)	(20,669)	100.00	(20,669)	80,474	-
Sichuan Lingwei (Note 4)	Sales of vehicles and parts	-	The Corporation indirectly owns these investees through investment company registered in a third region	-	-	-	-	(40) (RMB -9 thousand)	-	(40) (RMB -9 thousand)	-	-
Dongguan Huashun	Sales of vehicles and parts	107,625 (RMB 25,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	-	-	-	-	(11,846) (RMB -2,649 thousand)	100.00	(11,846) (RMB -2,649 thousand)	77,843 (RMB 18,082 thousand)	-
Tianjin Hwahong	Sales of vehicles and parts	129,150 (RMB 30,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	-	-	-	-	(3,627) (RMB -811 thousand)	100.00	(3,627) (RMB -811 thousand)	127,152 (RMB 29,536 thousand)	-
Guangzhou Huayou Motor Sales (Note 4)	Sales of vehicles and parts	185,115 (RMB 43,000 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	-	-	-	-	7,652 (RMB 1,711 thousand)	100.00	7,652 (RMB 1,711 thousand)	13,053 (RMB 3,032 thousand)	-
Gatech Suzhou (Note 5)	Aluminum-magnesium alloy casting industry	728,514 (US$ 24,300 thousand)	The Corporation indirectly owns these investees through investment company registered in a third region	607,605 (US$ 20,267 thousand)	-	-	607,605 (US$ 20,267 thousand)	11,868	-	11,868	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$5,874,586 (US$143,777 thousand and EUR46,566 thousand)	$6,993,843 (US$218,195 thousand and EUR13,467 thousand)	$23,245,237

(Continued)

Note 1: Translated at the exchange rates on December 31, 2019: US$1:NT$29.98, RMB1:NT$4.305, EUR1:NT$33.59.

Note 2: Translated at the average exchange rates for the year ended December 31, 2019: US$1:NT$30.912, RMB1:NT$4.472, EUR1:NT$34.61.

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

Note 4: In November 2018, Sichuan Huafeng Hanwei, Sichuan Lingwei, Guangzhou Huayou Motor Maintenance and Guangzhou Huayou Motor Sales resolved to dissolve their respective companies. As of December 31, 2019, except for the annulment of Sichuan Lingwei which had been completed in July 2019, the remaining companies have not completed their respective liquidation procedures. The liquidation of Sichuan Huafeng Hanwei had been completed in February 2020.

Note 5: Gatetech Suzhou had been disposed of in November 2019.

(Concluded)

CHINA MOTOR CORPORATION

SCHEDULE OF THE STATEMENTS OF IMPORTANT ACCOUNTING ITEMS

SCHEDULE 1

CHINA MOTOR CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Except Amounts Shown in the Notes)

Item	Period	Rate	Amount
Cash			
Cash on hand			$ 730
Checking accounts and demand deposits			1,324,215
Foreign currency demand deposits (Note)			201,077
			1,526,022
Cash equivalents			
Time deposits	2017.09.17-2020.11.11	1.01%-1.115%	1,835,932
			$ 3,361,954

Note: Including JPY15,434 thousand, US$5,257 thousand, EUR2 thousand and RMB9,094 thousand, at exchange rates of JPY1=$0.276, US$1=$29.98, EUR1=$33.59 and RMB1=$4.305.

SCHEDULE 2

CHINA MOTOR CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

	Amount	
Item	**Cost (Note)**	**Net Realizable Value**
Finished goods	$ 1,815,455	$ 2,951,231
Work in progress	29,259	76,179
Vehicle body parts	1,629,799	1,648,884
Raw materials	63,581	63,581
Materials in transit	164,143	164,143
	$ 3,702,237	$ 4,904,018

Note: Allowance for loss on inventory valuation included $38,655 thousand in finished goods, $33,835 thousand in work in progress and $61,973 thousand in vehicle body parts.

CHINA MOTOR CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Except Unit Price)

Investee Company	Balance, December 31, 2018 (Note 1) Shares (In Thousands)	Balance, December 31, 2018 (Note 1) Amount	Adjustment on Initial Application of IFRS 16	Increase in 2019 (Note 2) Shares (In Thousands)	Increase in 2019 (Note 2) Amount	Decrease in 2019 (Notes 1 and 3) Shares (In Thousands)	Decrease in 2019 (Notes 1 and 3) Amount	Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures	Realized (Unrealized) Gain on Transactions with Associates	Share Equity Adjustments (Note 4)	Balance, December 31, 2019 Shares in Thousand	Balance, December 31, 2019 Percentage of Ownership	Balance, December 31, 2019 Amount	Market Price (Note 5) Unit Price (NT$)	Market Price (Note 5) Total Amount
Listed shares															
Yulon	262,228	$ 11,476,319	$ -	-	$ -	-	$ 175,693	$ (4,132,081)	$ -	$ (58,107)	262,228	16.80	$ 7,110,438	$19.55	$ 5,126,561
Kian Shen	32,201	2,048,431	-	-	-	-	57,963	127,352	-	(71,167)	32,201	43.87	2,046,653	56.20	1,809,717
		13,524,750	-		-		233,656	(4,004,729)	-	(129,274)			9,157,091		6,936,278
Unlisted shares															
Fortune Motors	132,117	4,276,471	(19,503)	-	-	-	277,445	515,462	2,458	(24,299)	132,117	41.93	4,473,144		
Daimler Vans Hong Kong Ltd.	46,566	2,568,646	-	-	-	-	454,901	821,936	-	(105,368)	46,566	32.45	2,830,313		
Tokio Marine Newa Insurance	61,511	1,766,730	-	-	-	-	44,053	199,032	-	130,360	61,511	20.57	2,052,069		
Alliance Investment & Management	183,000	1,639,695	-	-	-	-	-	(333,010)	-	(29,214)	183,000	100.00	1,277,471		
Sino Diamond Motors	278,167	2,451,369	-	-	-	127,100	965,022	(291,753)	-	(39,565)	151,067	100.00	1,155,029		
China Motor Investment	40	1,159,432	-	-	-	-	-	(254,735)	-	(33,043)	40	100.00	871,654		
COC Tooling & Stamping	33,565	761,596	-	-	-	-	37,257	61,993	-	460	33,565	49.76	786,792		
Hwa Wei Holdings	40	771,520	-	-	-	-	-	(169,819)	-	(22,028)	40	40.00	579,673		
ROC-Spicer	145	700,244	-	-	-	-	208,785	45,137	-	2,602	145	29.00	539,198		
China Engine	87,999	463,630	-	-	-	-	-	(45,083)	-	10,649	87,999	52.10	429,196		
Shung Ye Motor	28,228	384,354	-	1,440	-	-	15,438	33,299	-	(7,309)	29,668	39.98	394,906		
Fujian Spicer	7,308	371,839	-	-	-	-	-	24,596	-	(14,804)	7,308	29.00	381,631		
Uni Auto Parts Manufacture	13,032	373,815	-	-	-	-	-	2,536	-	(560)	13,032	15.00	375,791		
Uni-Calsonic	6,084	136,670	-	-	-	-	6,327	8,127	-	(1,077)	6,084	31.20	137,393		
Yue Ki Industrial Co., Ltd.	2,936	121,062	-	-	-	-	-	(18,877)	-	3,672	2,936	15.08	105,857		
Hwa Chung Motors	8,790	63,913	-	-	-	-	-	7,766	-	-	8,790	100.00	71,679		
Tai-Ya Investment	2,242	77,137	-	-	-	-	-	(4,613)	-	(2,894)	2,242	29.00	69,630		
Hua-Chuang Automobile Information Technical Center	56,600	497,612	-	-	-	-	-	(502,338)	4,662	64	56,600	17.25	-		
Gatetech Technology	29,278	311,858	-	3,216	-	32,494	309,028	10,270	-	(13,100)	-	-	-		
Sin Gan	7,074	101,801	-	-	-	7,074	105,860	4,211	-	(152)	-	-	-		
Sin Jiang Enterprises	8,568	100,549	-	-	-	8,568	102,206	1,654	-	3	-	-	-		
Yulon IT Solutions	8,332	20,875	-	-	-	8,332	18,960	(1,915)	-	-	-	-	-		
		19,120,818	(19,503)		-		2,545,282	113,876	7,120	(145,603)			16,531,426		
		$ 32,645,568	$ (19,503)		$ -		$ 2,778,938	$ (3,890,853)	$ 7,120	$ (274,877)			$ 25,688,517		

Note 1: In accordance with the Interpretation 2012-301 issued by the Accounting Research and Development Foundation, organizational restructuring of entities under common control is deemed as the Corporation having a shareholding proportion of 52.10% in China Engine from the start.

Note 2: Issuance of share dividends.

Note 3: Except for the capital reduction of Sino Diamond Motors and return of share proceeds of 965,022 thousand and the disposals of Gatetech Technology, Sin Gan, Sin Jiang Enterprises and Yulon IT Solutions, the remaining pertains to the issuance of cash dividends.

Note 4: Including the capital surplus of investees, unappropriated earnings of investees, exchange differences on translating the financial statements of foreign operations, unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income of investees and gains (losses) on hedging instruments.

Note 5: The unit price was calculated by the closing price as of December 31, 2019.

SCHEDULE 4

CHINA MOTOR CORPORATION

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Amount
Daimler Trucks Asia Taiwan Ltd.	$ 304,591
Wu Shiang Industrial Co., Ltd.	83,444
Lioho Machine Works, Ltd.	81,912
Tai Yue Electric Co., Ltd.	74,304
Tailing Motor Co., Ltd.	68,639
Shihlin Electric & Engineering Corporation	59,963
Ta Yih Industrial Co., Ltd.	51,075
Others (Note)	1,488,326
	$ 2,212,254

Note: The amount of individual customer in others does not exceed $50,000 thousand of the account balance.

CHINA MOTOR CORPORATION

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Number	Amount
Net sales		
Domestic sales		
Four-wheel vehicles		
Commercial vehicles	36,958	$ 16,202,687
Passenger cars	9,965	5,159,582
		21,362,269
Two-wheel vehicles	8,241	459,848
Others		
Vehicle body parts		3,367,787
Spring steel		267,103
Equipment		23,536
		3,658,426
		25,480,543
Foreign sales		
Four-wheel vehicles	854	241,996
Materials		148,164
Royalties		8,693
		398,853
		25,879,396
Other sales revenue		
Service revenue		424,910
Lease revenue		60,718
		485,628
		$ 26,365,024

SCHEDULE 6

CHINA MOTOR CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	
Balance, beginning of year	$ 1,777,372
Raw materials purchased	17,476,804
Usage of indirect materials	115,035
Cost of goods sold of materials	2,688,036
Transferred to other costs	84
Raw materials and vehicle body parts, end of year	1,919,496
Usage of direct materials	14,531,525
Direct labor	677,583
Manufacturing expenses	1,478,394
Manufacturing costs	16,687,502
Work in progress, beginning of year	69,405
Work in progress, end of year	63,094
Cost of finished goods	16,693,813
Finished goods, beginning of year	1,278,439
Tax of goods	3,175,613
Others	217,784
Finished goods, end of year	1,854,110
Transferred to other expenses	56,819
Original equipment manufacturer	51,884
Cost of goods sold of finished goods	19,402,836
Cost of goods sold of vehicle body parts	2,688,036
Inventories write-downs	12,389
Others	25,968
Total cost of goods sold	22,077,293
Other operating costs	108,512
Total operating costs	$ 22,185,805

SCHEDULE 7

CHINA MOTOR CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Items	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Personnel expenses	$ 93,055	$ 294,047	$ 823,885	$ 1,210,987
Development expenses	3,095	-	241,208	244,303
Test tools expenses	1,495	1,080	117,891	120,466
Depreciation	7,012	56,332	47,400	110,744
Advertisement	90,725	6,359	-	97,084
Labor service expense	6,342	51,896	4,796	63,034
Welfare	-	34,914	-	34,914
Export expense	24,695	-	-	24,695
Others (Note)	67,860	172,215	225,104	465,179
	$ 294,279	$ 616,843	$ 1,460,284	$ 2,371,406

Note: The amount of each item in others does not exceed 5% of the account balance.

CHINA MOTOR CORPORATION

STATEMENT OF ANALYSIS OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2019			2018		
	Amount of Operating Costs	Amount of Operating Expenses	Total	Amount of Operating Costs	Amount of Operating Expenses	Total
Employee benefits expense						
Salary	$ 1,060,882	$ 1,037,425	$ 2,098,307	$ 1,092,943	$ 1,105,260	$ 2,198,203
Labor and health insurance	84,672	75,742	160,414	83,261	72,810	156,071
Pension	62,974	64,522	127,496	70,712	72,027	142,739
Board compensation	-	4,890	4,890	-	24,570	24,570
Other employee benefits	32,836	28,408	61,244	33,430	27,788	61,218
	$ 1,241,364	$ 1,210,987	$ 2,452,351	$ 1,280,346	$ 1,302,455	$ 2,582,801
Depreciation	$ 660,099	$ 110,744	$ 770,843	$ 674,126	$ 115,059	$ 789,185
Amortization	$ 5	$ 95,095	$ 95,100	$ -	$ 80,283	$ 80,283

Note 1: For the years 2019 and 2018, the Corporation’s average number of employees was 2,071 and 2,074, respectively, which included 8 non-employee directors for both years.

Note 2: The average amount of employee benefit expense for the years ended December 31, 2019 and 2018 was $1,186 thousand and $1,238 thousand, respectively.

Note 3: The average employee salary expense for the years ended December 31, 2019 and 2018 was $1,017 thousand and $1,064 thousand, respectively.

Note 4: Average employee salary expense in 2019 decreased by 4.42% from the previous year.