

China Motor Corporation

**Financial Statements for the
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition of Domestic Sales of Four-wheeled Vehicles

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

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

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

Other Matter

We did not audit the financial statements as of and for the years ended December 31, 2021 and 2020 of some of the Corporation's investments accounted for using the equity method, namely Daimler Vans Hong Kong Ltd., Shung Ye Motors Corporation, and Uni Auto Parts Manufacture Co., Ltd., but such financial statements were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for these investees in the Corporation's accompanying financial statements, is based solely on the reports of the other auditors. The aforementioned investments accounted for using the equity method constituted NT\$4,292,241 thousand, representing 8.8%, and NT\$3,782,477 thousand, representing 7.8%, of the Corporation's total assets as of December 31, 2021 and 2020, respectively. The Corporation's share of comprehensive income of the aforementioned investments accounted for using the equity method amounted to NT\$1,287,532 thousand and NT\$802,862 thousand for the years ended December 31, 2021 and 2020, respectively, which accounted for 29.4% and 23.7% of the Corporation's total comprehensive income, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2022

Notice to Readers

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

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

CHINA MOTOR CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,269,006	15	\$ 6,706,144	14
Financial assets at fair value through profit or loss (Notes 4 and 7)	81,072	-	1,026,314	2
Current financial assets at amortized cost (Notes 4, 9, 10 and 28)	206,635	1	147,159	-
Financial assets for hedging (Notes 4 and 11)	59,612	-	118,796	-
Notes and accounts receivable, net (Notes 4, 12 and 21)	378,396	1	456,134	1
Trade receivables from related parties (Notes 4, 21 and 27)	1,365,379	3	1,140,590	3
Other receivables (Notes 4 and 27)	635,583	1	717,256	2
Inventories (Notes 4 and 13)	3,076,385	6	3,010,241	6
Prepayments (Note 27)	632,872	1	1,619,763	3
Other current assets (Notes 4 and 23)	236,824	1	376,064	1
Total current assets	13,941,764	29	15,318,461	32
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	605,042	1	603,040	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	29,024	-	43,540	-
Financial assets at amortized cost (Notes 4, 9 and 10)	540,096	1	534,771	1
Investments accounted for using the equity method (Notes 4 and 14)	27,733,347	57	26,211,018	54
Property, plant and equipment (Notes 4, 15, 22 and 27)	3,958,483	8	4,206,695	9
Investment properties (Notes 4 and 17)	876,068	2	886,585	2
Intangible assets under development (Notes 4 and 22)	438,039	1	373,697	1
Deferred tax assets (Notes 4 and 23)	301,983	1	271,592	-
Other non-current assets (Notes 4, 16 and 27)	109,724	-	63,712	-
Total non-current assets	34,591,806	71	33,194,650	68
TOTAL	\$ 48,533,570	100	\$ 48,513,111	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 1,561,629	3	\$ 2,093,990	4
Trade payables to related parties (Note 27)	719,177	2	919,112	2
Other payables (Note 18)	2,073,337	4	2,030,739	4
Current tax liabilities (Notes 4 and 23)	358,283	1	238,526	-
Other current liabilities (Notes 4, 7, 11, 16 and 27)	169,756	-	251,223	1
Total current liabilities	4,882,182	10	5,533,590	11
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	339,509	1	262,011	1
Net defined benefit liabilities (Notes 4 and 19)	601,319	1	553,119	1
Other non-current liabilities (Notes 4, 16 and 27)	38,430	-	41,001	-
Total non-current liabilities	979,258	2	856,131	2
Total liabilities	5,861,440	12	6,389,721	13
EQUITY (Notes 4, 11 and 20)				
Ordinary shares	5,536,203	12	5,536,203	11
Capital surplus	6,421,515	13	6,411,778	13
Retained earnings				
Legal reserve	9,581,001	20	9,257,157	19
Special reserve	1,028,359	2	1,028,359	2
Unappropriated earnings	20,582,748	42	20,544,970	43
Total retained earnings	31,192,108	64	30,830,486	64
Other equity				
Exchange differences on translating the financial statements of foreign operations	(826,741)	(2)	(926,661)	(2)
Unrealized gain on investments in financial assets at fair value through other comprehensive income	377,436	1	264,666	1
Gain (loss) on hedging instruments	(28,391)	-	6,918	-
Total other equity	(477,696)	(1)	(655,077)	(1)
Total equity	42,672,130	88	42,123,390	87
TOTAL	\$ 48,533,570	100	\$ 48,513,111	100

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

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

CHINA MOTOR CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)				
Net sales	\$ 27,196,522	99	\$ 26,525,771	98
Other operating revenue	<u>408,679</u>	<u>1</u>	<u>436,277</u>	<u>2</u>
Total operating revenue	<u>27,605,201</u>	<u>100</u>	<u>26,962,048</u>	<u>100</u>
OPERATING COSTS (Notes 13, 22 and 27)				
Cost of goods sold	23,094,901	84	22,739,321	84
Other operating costs	<u>174,959</u>	<u>-</u>	<u>134,356</u>	<u>1</u>
Total operating costs	<u>23,269,860</u>	<u>84</u>	<u>22,873,677</u>	<u>85</u>
GROSS PROFIT	4,335,341	16	4,088,371	15
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(640)</u>	<u>-</u>	<u>376</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,334,701</u>	<u>16</u>	<u>4,088,747</u>	<u>15</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	365,701	1	311,961	1
General and administrative expenses	704,172	3	603,402	2
Research and development expenses	<u>1,390,782</u>	<u>5</u>	<u>1,551,518</u>	<u>6</u>
Total operating expenses	<u>2,460,655</u>	<u>9</u>	<u>2,466,881</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>1,874,046</u>	<u>7</u>	<u>1,621,866</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of subsidiaries, associates and joint ventures (Notes 4 and 14)	2,884,019	10	1,693,020	6
Interest income (Notes 4 and 27)	53,272	-	51,608	-
Other income (Notes 4 and 27)	75,167	-	48,943	-
Net foreign exchange gain	18,787	-	33,389	-
Gain (loss) on financial instruments at fair value through profit or loss (Note 4)	(4,750)	-	3,189	-
Expected credit gain (loss) (Notes 4 and 10)	(188)	-	32,518	-
Other expense (Notes 4 and 27)	(4,395)	-	(4,387)	-
Loss on disposal of investments (Notes 4 and 14)	-	-	(1,393)	-
Impairment loss (Notes 4, 15 and 22)	<u>(147,123)</u>	<u>-</u>	<u>(100,433)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,874,789</u>	<u>10</u>	<u>1,756,454</u>	<u>6</u>

(Continued)

CHINA MOTOR CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 4,748,835	17	\$ 3,378,320	12
INCOME TAX EXPENSE (Notes 4 and 23)	<u>567,000</u>	<u>2</u>	<u>101,000</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>4,181,835</u>	<u>15</u>	<u>3,277,320</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(51,163)	-	(22,010)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20)	3,852	-	872	-
Gain (loss) on the hedging instruments (Notes 11 and 20)	(29,000)	-	9,919	-
Share of other comprehensive income of subsidiaries and associates (Notes 14 and 20)	161,883	1	42,482	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	16,033	-	2,418	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 14 and 20)	<u>99,920</u>	<u>-</u>	<u>71,530</u>	<u>1</u>
Other comprehensive income for the year (net of income tax)	<u>201,525</u>	<u>1</u>	<u>105,211</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,383,360</u>	<u>16</u>	<u>\$ 3,382,531</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 7.67</u>		<u>\$ 6.01</u>	
Diluted	<u>\$ 7.66</u>		<u>\$ 6.00</u>	

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

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

(Concluded)

CHINA MOTOR CORPORATION

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

	Share Capital Ordinary Shares		Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity	Gain (Loss) on the Hedging Instruments	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2020	553,620	\$ 5,536,203	\$ 6,414,118	\$ 9,257,157	\$ 1,029,654	\$ 17,306,526	\$ (998,191)	\$ 216,562	\$ (19,968)	\$ 38,742,061
Reversal of special reserve	-	-	-	-	(1,295)	1,295	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	(2,340)	-	-	(7,532)	-	-	-	(9,872)
Net profit for the year ended December 31, 2020	-	-	-	-	-	3,277,320	-	-	-	3,277,320
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(27,221)	71,530	42,686	18,216	105,211
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	3,250,099	71,530	42,686	18,216	3,382,531
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	(5,418)	-	5,418	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	8,670	8,670
BALANCE AT DECEMBER 31, 2020	553,620	5,536,203	6,411,778	9,257,157	1,028,359	20,544,970	(926,661)	264,666	6,918	42,123,390
Appropriation of the 2020 earnings										
Legal reserve	-	-	-	323,844	-	(323,844)	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,875,342)	-	-	-	(3,875,342)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	9,737	-	-	10,104	-	-	-	19,841
Net profit for the year ended December 31, 2021	-	-	-	-	-	4,181,835	-	-	-	4,181,835
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(28,502)	99,920	186,297	(56,190)	201,525
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	4,153,333	99,920	186,297	(56,190)	4,383,360
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	37,315	-	(37,315)	-	-
Disposal of the investments in equity instruments as at fair value through other comprehensive income	-	-	-	-	-	36,212	-	(36,212)	-	-
Basic adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	20,881	20,881
BALANCE AT DECEMBER 31, 2021	<u>553,620</u>	<u>\$ 5,536,203</u>	<u>\$ 6,421,515</u>	<u>\$ 9,581,001</u>	<u>\$ 1,028,359</u>	<u>\$ 20,582,748</u>	<u>\$ (826,741)</u>	<u>\$ 377,436</u>	<u>\$ (28,391)</u>	<u>\$ 42,672,130</u>

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

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

CHINA MOTOR CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,748,835	\$ 3,378,320
Adjustments for:		
Depreciation expense	641,287	684,760
Amortization expense	79,717	106,641
Expected credit loss reversed	(1,811)	(35,180)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	4,750	(3,189)
Interest expense	146	110
Interest income	(53,272)	(51,608)
Dividend income	(36,482)	(9,653)
Share of profit of subsidiaries, associates and joint ventures	(2,884,019)	(1,693,020)
Net loss on disposal of property, plant and equipment	2,100	1,741
Loss on disposal of investments	-	1,393
Impairment loss of non-financial assets	219,289	137,832
Unrealized (realized) gain on the transactions with associates	640	(376)
Unrealized gain on foreign currency exchange	(17,791)	(45,917)
Losses on recognition of provisions	65,302	-
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	1,045,516	(796,416)
Notes and accounts receivable	79,857	266,191
Trade receivables from related parties	(224,824)	127,302
Other receivables	469	258
Inventories	(118,356)	663,052
Prepayments	986,891	(332,086)
Other current assets	146,746	(25,685)
Accounts payable	(531,560)	(119,025)
Trade payables to related parties	(198,473)	30,332
Other payables	68,654	67,988
Other current liabilities	(151,521)	115,836
Net defined benefit liabilities	(2,963)	(95,559)
Cash generated from operations	3,869,127	2,374,042
Income tax paid	(395,600)	(119,417)
Net cash generated from operating activities	<u>3,473,527</u>	<u>2,254,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(1,246,778)	(1,414,652)
Proceeds from repayment of principal of financial assets at amortized cost	1,172,399	1,685,827
Acquisition of investments accounted for using the equity method	(1,500)	(7,136)
Disposal of financial assets at fair value through other comprehensive income	18,368	-
Acquisition of property, plant and equipment	(585,004)	(751,525)
Proceeds from disposal of property, plant and equipment	32,203	17,752
		(Continued)

CHINA MOTOR CORPORATION

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

	2021	2020
Acquisition of investment properties	\$ (724)	\$ -
Acquisition of intangible assets	(109,106)	(58,887)
Increase in other non-current assets	(76,689)	(37,485)
Interest received	55,456	51,551
Dividends received	<u>1,658,567</u>	<u>1,292,337</u>
Net cash generated from investing activities	<u>917,192</u>	<u>777,782</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(3,667)	(2,100)
Increase (decrease) in other non-current liabilities	(5,464)	31,410
Cash dividends paid	(3,875,342)	-
Interest paid	<u>(146)</u>	<u>(110)</u>
Net cash (used in) generated from financing activities	<u>(3,884,619)</u>	<u>29,200</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	506,100	3,061,607
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,821,985</u>	<u>3,760,378</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,328,085</u>	<u>\$ 6,821,985</u>

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

	December 31	
	2021	2020
Cash and cash equivalents in the balance sheets	\$ 7,269,006	\$ 6,706,144
Cash and cash equivalents included in financial assets for hedging	<u>59,079</u>	<u>115,841</u>
Cash and cash equivalents in the statements of cash flows	<u>\$ 7,328,085</u>	<u>\$ 6,821,985</u>

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

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

(Concluded)

CHINA MOTOR CORPORATION

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

1. GENERAL INFORMATION

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

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Corporation’s board of directors on March 15, 2022.

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

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

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

e. Inventories

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

f. Investments accounted for using the equity method

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

1) Investment in subsidiaries

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

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

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

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

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

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

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

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

2) Investment in associates and joint ventures

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

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

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate and joint venture. The Corporation also recognizes the changes in the Corporation's share of the equity of associates and joint venture attributable to the Corporation. 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 property, plant and equipment, right-of-use assets, investment properties and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

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

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

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

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

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

1. Hedge accounting

The Corporation designates certain hedging instruments as cash flow hedges.

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

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

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

m. Provisions

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

1) Onerous contracts

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

2) Warranties

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

n. Revenue recognition

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

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

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

o. Leases

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

1) The Corporation as lessor

All leases are classified as operating leases.

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

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

2) The Corporation as lessee

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

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

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

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

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

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

p. Government grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash		
Cash on hand	\$ 650	\$ 650
Checking accounts and demand deposits	<u>1,828,456</u>	<u>2,177,762</u>
	<u>1,829,106</u>	<u>2,178,412</u>
Cash equivalents		
Time deposits	4,739,900	4,527,732
Repurchase agreements	<u>700,000</u>	<u>-</u>
	<u>5,439,900</u>	<u>4,527,732</u>
	<u>\$ 7,269,006</u>	<u>\$ 6,706,144</u>

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

The interest rate intervals of cash in banks and repurchase agreements at the end of the reporting period were as follows:

	December 31	
	2021	2020
Checking accounts and demand deposits	0.00%-1.00%	0.00%-1.30%
Time deposits	0.26%-0.82%	0.70%-1.065%
Repurchase agreements	0.35%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 80,459	\$ 1,023,173
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	613	3,141
	<u>\$ 81,072</u>	<u>\$ 1,026,314</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 605,042</u>	<u>\$ 603,040</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 976</u>	<u>\$ -</u>

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

December 31, 2021

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

December 31, 2020

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

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	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 15,798	\$ 30,370
Domestic unlisted shares	<u>13,226</u>	<u>13,170</u>
	<u>\$ 29,024</u>	<u>\$ 43,540</u>

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

Dividends of \$446 thousand and \$644 thousand were recognized during 2021 and 2020, respectively. Those dividends are all related to investments held at the end of the reporting period.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Pledged deposits (Note 28)	\$ 163,321	\$ 103,577
Principal guaranteed notes	<u>43,440</u>	<u>43,770</u>
	206,761	147,347
Less: Allowance for impairment loss	<u>(126)</u>	<u>(188)</u>
	<u>\$ 206,635</u>	<u>\$ 147,159</u>
<u>Non-current</u>		
Segregated foreign exchange deposit account for offshore funds	\$ 340,390	\$ 434,841
Bonds	<u>200,026</u>	<u>100,000</u>
	540,416	534,841
Less: Allowance for impairment loss	<u>(320)</u>	<u>(70)</u>
	<u>\$ 540,096</u>	<u>\$ 534,771</u>

- The rates of pledged deposits ranged from 0.78%-0.815% per annum as of December 31, 2021 and 2020.
- The coupon rates of principal guaranteed notes ranged from 2.50%-2.60% and 2.00% per annum as of December 31, 2021 and 2020, respectively.

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

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

	December 31	
	2021	2020
Gross carrying amount	\$ 747,177	\$ 682,188
Less: Allowance for impairment loss	<u>(446)</u>	<u>(258)</u>
Amortized cost	<u>\$ 746,731</u>	<u>\$ 681,930</u>

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

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

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 classified by credit category and the corresponding expected loss rates were as follows:

December 31, 2021

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

December 31, 2020

Credit Rating	Expected Credit Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0.00%-0.43%	\$ 682,188

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

	Credit Rating	
	Performing (12-month ECLs)	No rating (Lifetime ECLs - Not Credit- impaired)
Balance at January 1, 2021	\$ 258	\$ -
Financial assets purchased (a)	865	-
Derecognition (b)	(697)	-
Change in exchange rates or others	<u>20</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 446</u>	<u>\$ -</u>
Balance at January 1, 2020	\$ 1,864	\$ 30,912
Financial assets purchased (a)	3,768	-
Derecognition (b)	(5,404)	(30,912)
Change in exchange rates or others	<u>30</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 258</u>	<u>\$ -</u>

- a. The new investment in principal guaranteed notes of \$219,065 thousand and bonds of \$100,029 thousand, respectively during the year ended December 31, 2021, and correspondingly increased the loss allowance for investments rated as performing of \$865 thousand; the new investment in principal guaranteed notes of \$876,324 thousand during the year ended December 31, 2020, and correspondingly increased the loss allowance for investments rated as performing of \$3,768 thousand.

- b. The investments in principal guaranteed notes of \$219,180 thousand, expired and were redeemed during the year ended December 31, 2021, with consequential reductions in the loss allowance for investments rated as performing of \$697 thousand; the investments in principal guaranteed notes of \$832,464 thousand, and bonds of \$750,224 thousand, expired and were redeemed during the year ended December 31, 2020, with consequential reductions in the loss allowance for investments rated as performing of \$5,404 thousand and lifetime ECLs of \$30,912 thousand.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2021	2020
<u>Financial assets</u>		
Cash flow hedges - spot rate	\$ 59,079	\$ 115,841
Cash flow hedges - foreign exchange forward contracts	<u>533</u>	<u>2,955</u>
	<u>\$ 59,612</u>	<u>\$ 118,796</u>
<u>Financial liabilities (included in other current liabilities)</u>		
Cash flow hedges - foreign exchange forward contracts	<u>\$ 2,532</u>	<u>\$ -</u>

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

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

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Corporation's own credit risk on the fair value of the foreign exchange forward contracts and foreign currency banknote, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness is expected to emerge from these hedging relationships. During the years ended December 31, 2021 and 2020, hedging instruments at fair value and transferred to initial carrying amount of hedged items are detailed in Note 20(e).

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

December 31, 2021

Hedging Instrument	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate (Note)	Line Item	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Assets	Liabilities	
Cash flow hedges								
Forecast purchases - spot rate	JPY/NTD	JPY245,651/NTD61,310	2022.02.17-2022.03.16	0.2483-0.2508	Financial assets for hedging	\$ 59,079	\$ -	\$ (1,785)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD3,000/NTD82,788	2022.01.06-2022.02.11	27.5520-27.6400 (USD1:NTD)	Financial assets for hedging	410	-	328
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB12,780/USD2,000	2022.01.06	6.3901 (USD1:RMB)	Financial assets for hedging	123	-	98
Forecast purchases - foreign exchange forward contracts	JPY/NTD	JPY610,000/NTD149,104	2022.01.14-2022.03.16	0.2424-0.2481	Other current liabilities	-	(2,348)	(1,878)
Forecast purchases - foreign exchange forward contracts	USD/NTD	USD6,500/NTD179,635	2022.01.06-2022.02.14	27.6100-27.6950 (USD1:NTD)	Other current liabilities	-	(164)	(131)
Forecast purchases - foreign exchange forward contracts	RMB/USD	RMB28,764/USD4,500	2022.02.14	6.3919 (USD1:RMB)	Other current liabilities	-	(20)	(16)
						<u>\$ 59,612</u>	<u>\$ (2,532)</u>	<u>\$ (3,384)</u>

Hedged Item	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity Continuing Hedges
Cash flow hedges		
Forecast purchases	\$ 3,384	\$ (3,384)
December 31, 2020		

Note: JPY1:NTD, unless stated otherwise.

Cash flow hedges		
Forecast purchases	\$ (29,000)	\$ 9,919

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12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
At amortized cost		
Notes and accounts receivable	\$ 382,220	\$ 461,957
Less: Allowance for impairment loss	<u>(3,824)</u>	<u>(5,823)</u>
	<u>\$ 378,396</u>	<u>\$ 456,134</u>

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

The aging of receivables was as follows:

	December 31	
	2021	2020
0 days	\$ 380,377	\$ 460,364
1-60 days	1,843	692
61-90 days	-	-
More than 90 days	<u>-</u>	<u>901</u>
Gross carrying amount	382,220	461,957
Loss allowance (Lifetime ECLs)	<u>(3,824)</u>	<u>(5,823)</u>
Amortized cost	<u>\$ 378,396</u>	<u>\$ 456,134</u>

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

	2021	2020
Balance at January 1	\$ 5,823	\$ 8,485
Less: Net reversal of loss allowance	<u>(1,999)</u>	<u>(2,662)</u>
Balance at December 31	<u>\$ 3,824</u>	<u>\$ 5,823</u>

13. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 1,088,770	\$ 1,094,791
Work in progress	9,197	35,802
Raw materials	1,914,092	1,799,908
Materials in transit	<u>64,326</u>	<u>79,740</u>
	<u>\$ 3,076,385</u>	<u>\$ 3,010,241</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$23,094,901 thousand and \$22,739,321 thousand, respectively. The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$72,166 thousand and \$37,399 thousand, respectively.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 6,663,246	\$ 6,794,586
Investments in associates	17,568,668	16,388,690
Investments in joint ventures	<u>3,501,433</u>	<u>3,027,742</u>
	<u>\$ 27,733,347</u>	<u>\$ 26,211,018</u>

a. Investments in subsidiaries

Name of Subsidiaries	December 31	
	2021	2020
Listed companies		
Kian Shen	<u>\$ 2,191,603</u>	<u>\$ 2,141,274</u>
Unlisted companies		
Sino Diamond Motors	1,430,589	1,341,218
Alliance Investment & Management	1,284,812	1,288,292
COC Tooling & Stamping	822,785	808,797
China Engine	437,354	447,373
China Motor Investment	249,510	414,190
Hwa Wei Holdings	164,977	274,747
Hwa Chung Motors	<u>81,616</u>	<u>78,695</u>
	<u>4,471,643</u>	<u>4,653,312</u>
	<u>\$ 6,663,246</u>	<u>\$ 6,794,586</u>

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	2021	2020
Listed company		
Kian Shen	43.87%	43.87%
Unlisted companies		
Sino Diamond Motors	100.00%	100.00%
Alliance Investment & Management	100.00%	100.00%
COC Tooling & Stamping	49.76%	49.76%
China Engine	52.10%	52.10%
China Motor Investment	100.00%	100.00%
Hwa Wei Holdings	40.00%	40.00%
Hwa Chung Motors	100.00%	100.00%

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

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

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

b. Investments in associates

Associates	December 31	
	2021	2020
Material associates		
Yulon	\$ 8,188,389	\$ 7,561,633
Associates that are not individually material	<u>9,380,279</u>	<u>8,827,057</u>
	<u>\$ 17,568,668</u>	<u>\$ 16,388,690</u>

1) Material associates

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

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

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

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

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

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

The above associate is accounted for using the equity method.

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

Yulon and Yulon's subsidiaries

	December 31	
	2021	2020
Current assets	\$ 234,854,492	\$ 215,186,668
Non-current assets	89,008,287	86,136,078
Current liabilities	(226,995,138)	(201,009,483)
Non-current liabilities	<u>(26,168,118)</u>	<u>(35,437,943)</u>
Equity	70,699,523	64,875,320
Non-controlling interests	<u>(18,047,660)</u>	<u>(16,136,852)</u>
	<u>\$ 52,651,863</u>	<u>\$ 48,738,468</u>
Proportion of the Corporation's ownership	16.80%	16.80%
Equity attributable to the Corporation	\$ 8,845,513	\$ 8,188,063
Cross shareholdings	<u>(657,124)</u>	<u>(626,430)</u>
Carrying amount	<u>\$ 8,188,389</u>	<u>\$ 7,561,633</u>
	For the Year Ended December 31	
	2021	2020
Operating revenue	<u>\$ 78,047,772</u>	<u>\$ 82,597,514</u>
Net profit for the year	\$ 7,742,315	\$ 4,839,562
Other comprehensive income	<u>149,839</u>	<u>240,989</u>
Total comprehensive income for the year	<u>\$ 7,892,154</u>	<u>\$ 5,080,551</u>
Dividends received from Yulon	<u>\$ 166,714</u>	<u>\$ -</u>

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Net profit for the year	\$ 1,016,011	\$ 818,075
Other comprehensive income	<u>124,690</u>	<u>25,674</u>
Total comprehensive income for the year	<u>\$ 1,140,701</u>	<u>\$ 843,749</u>

All the associates are accounted for using the equity method.

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

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

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

Hua-Chuang Automobile Information Technical Center reduced its capital for offsetting accumulated deficit and issued ordinary shares for cash in May and August 2020, respectively. The Corporation did not subscribe for additional new shares at the percentage of its existing ownership, which resulted in the Corporation's shareholding to be less than 0.01%. In addition, in September 2020, the Corporation has resigned from its position as member of the board of directors of Hua-Chuang Automobile Information Technical Center and consequently ceased to have significant influence over Hua-Chuang Automobile Information Technical Center and recognized a loss on disposal of the investment amounting to \$1,393 thousand.

c. Investments in joint ventures

	December 31	
	2021	2020
Joint ventures that are not individually material	<u>\$ 3,501,433</u>	<u>\$ 3,027,742</u>
Aggregate information of joint ventures that are not individually material:		
	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Net profit for the year	\$ 1,232,861	\$ 838,297
Other comprehensive income (loss)	<u>18,598</u>	<u>(19,474)</u>
Total comprehensive income for the year	<u>\$ 1,251,459</u>	<u>\$ 818,823</u>

All joint ventures are accounted for using the equity method.

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 665,075	\$ 97,351	\$ 3,188,539	\$ 22,722,024	\$ 1,037,146	\$ 377,584	\$ 28,087,719
Additions	-	-	1,645	47,579	43,494	467,014	559,732
Disposals	-	-	(7,216)	(2,803,824)	(104,804)	-	(2,915,844)
Reclassifications	-	612	14,912	296,099	33,348	(343,065)	1,906
Balance at December 31, 2021	<u>\$ 665,075</u>	<u>\$ 97,963</u>	<u>\$ 3,197,880</u>	<u>\$ 20,261,878</u>	<u>\$ 1,009,184</u>	<u>\$ 501,533</u>	<u>\$ 25,733,513</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021		\$ 87,302	\$ 2,895,840	\$ 20,127,830	\$ 770,052	\$ -	\$ 23,881,024
Disposals		-	(7,216)	(2,802,755)	(71,570)	-	(2,881,541)
Impairment losses		-	-	146,258	865	-	147,123
Depreciation expense		1,803	33,557	532,551	58,607	-	626,518
Reclassifications		-	2	2,139	(235)	-	1,906
Balance at December 31, 2021		<u>\$ 89,105</u>	<u>\$ 2,922,183</u>	<u>\$ 18,006,023</u>	<u>\$ 757,719</u>	<u>\$ -</u>	<u>\$ 21,775,030</u>
Carrying amounts at December 31, 2021	<u>\$ 665,075</u>	<u>\$ 8,858</u>	<u>\$ 275,697</u>	<u>\$ 2,255,855</u>	<u>\$ 251,465</u>	<u>\$ 501,533</u>	<u>\$ 3,958,483</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 665,075	\$ 96,431	\$ 3,143,466	\$ 21,546,561	\$ 1,028,826	\$ 823,356	\$ 27,303,715
Additions	-	-	-	67,585	10,040	814,004	891,629
Disposals	-	-	-	(59,682)	(50,432)	-	(110,114)
Reclassifications	-	920	45,073	1,167,560	48,712	(1,259,776)	2,489
Balance at December 31, 2020	<u>\$ 665,075</u>	<u>\$ 97,351</u>	<u>\$ 3,188,539</u>	<u>\$ 22,722,024</u>	<u>\$ 1,037,146</u>	<u>\$ 377,584</u>	<u>\$ 28,087,719</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020		\$ 85,421	\$ 2,863,748	\$ 19,595,616	\$ 745,469	\$ -	\$ 23,290,254
Disposals		-	-	(58,701)	(31,920)	-	(90,621)
Impairment losses		-	-	5,936	-	-	5,936
Depreciation expense		1,881	31,938	581,847	56,503	-	672,169
Reclassifications		-	154	3,132	-	-	3,286
Balance at December 31, 2020		<u>\$ 87,302</u>	<u>\$ 2,895,840</u>	<u>\$ 20,127,830</u>	<u>\$ 770,052</u>	<u>\$ -</u>	<u>\$ 23,881,024</u>
Carrying amounts at December 31, 2020	<u>\$ 665,075</u>	<u>\$ 10,049</u>	<u>\$ 292,699</u>	<u>\$ 2,594,194</u>	<u>\$ 267,094</u>	<u>\$ 377,584</u>	<u>\$ 4,206,695</u>

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

As a result of the decrease in sales for several types of vehicles in the market, the estimated future cash flows from the related equipment have decreased. Thus, the Corporation recognized an impairment loss of \$147,123 thousand for the year ended December 31, 2021. The Corporation determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used for measuring the value in use was 5.75%. The Corporation had no future cash flow from the related equipment and recognized an impairment loss of \$5,936 thousand for the year ended December 31, 2020.

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

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

Acquisition of property, plant and equipment includes the decrease in payables for equipment of \$25,272 thousand and increase in payables for equipment of \$140,104 thousand for the years ended December 31, 2021 and 2020, respectively, refer to Note 18 for the details.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 1,100	\$ 742
Buildings	975	2,277
Other equipment	<u>5,697</u>	<u>477</u>
	<u>\$ 7,772</u>	<u>\$ 3,496</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 7,804</u>	<u>\$ 3,952</u>
Depreciation charge for right-of-use assets		
Land	\$ 344	\$ 49
Buildings	1,566	1,138
Other equipment	<u>1,618</u>	<u>887</u>
	<u>\$ 3,528</u>	<u>\$ 2,074</u>

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

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 3,356</u>	<u>\$ 2,112</u>
Non-current	<u>\$ 4,261</u>	<u>\$ 1,368</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.37%	1.37%
Buildings	1.37%	1.37%
Other equipment	1.37%	1.37%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 2,826	\$ 7,562
Expenses relating to low-value asset leases	\$ 2,880	\$ 1,078
Total cash outflow for leases	\$ 9,459	\$ 10,783

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

17. INVESTMENT PROPERTIES

Cost

Balance at January 1, 2021	\$ 1,403,361
Additions	<u>724</u>
Balance at December 31, 2021	<u>\$ 1,404,085</u>

Accumulated depreciation and impairment

Balance at January 1, 2021	\$ 516,776
Depreciation expense	<u>11,241</u>
Balance at December 31, 2021	<u>\$ 528,017</u>
Carrying amount at December 31, 2021	<u>\$ 876,068</u>

Cost

Balance at January 1, 2020	\$ 1,402,561
Reclassification	<u>800</u>
Balance at December 31, 2020	<u>\$ 1,403,361</u>

Accumulated depreciation and impairment

Balance at January 1, 2020	\$ 506,256
Reclassification	3
Depreciation expense	<u>10,517</u>
Balance at December 31, 2020	<u>\$ 516,776</u>
Carrying amount at December 31, 2020	<u>\$ 886,585</u>

The investment properties were leased out for 1 to 20 years with an option to extend the lease periods. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	December 31	
	2021	2020
Year 1	\$ 39,518	\$ 43,773
Year 2	28,647	35,746
Year 3	25,815	26,033
Year 4	25,815	23,201
Year 5	11,895	23,201
Later than 5 years	<u>123,789</u>	<u>120,655</u>
	<u>\$ 255,479</u>	<u>\$ 272,609</u>

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

The fair values of investment properties of the Corporation were \$1,496,594 thousand and \$1,410,495 thousand as of December 31, 2021 and 2020, respectively. Investment properties as of December 31, 2021 and 2020 were appraised by the Corporation's management using the valuation model in which other market participants frequently used. The valuation from management was arrived at by reference to market evidence of transaction prices for similar properties.

18. OTHER PAYABLES

	December 31	
	2021	2020
Payables for salaries or bonuses	\$ 1,025,292	\$ 936,426
Payables for warranties	220,895	170,017
Payables for equipment	189,110	214,382
Provisions for employee benefit	131,452	130,449
Payables for development	115,411	14,308
Payables for taxes	76,147	175,369
Others	<u>315,030</u>	<u>389,788</u>
	<u>\$ 2,073,337</u>	<u>\$ 2,030,739</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 2,009,474	\$ 2,052,318
Fair value of plan assets	<u>(1,408,155)</u>	<u>(1,499,199)</u>
Net defined benefit liabilities	<u>\$ 601,319</u>	<u>\$ 553,119</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	<u>\$ 2,052,318</u>	<u>\$ (1,499,199)</u>	<u>\$ 553,119</u>
Service cost			
Past service cost	45,077	-	45,077
Current service cost	24,157	-	24,157
Net interest expense (income)	<u>9,902</u>	<u>(7,261)</u>	<u>2,641</u>
Recognized in profit or loss	<u>79,136</u>	<u>(7,261)</u>	<u>71,875</u>
Remeasurement			
Return on plan assets	-	(19,961)	(19,961)
Actuarial loss			
Changes in demographic assumptions	59,194	-	59,194
Experience adjustments	<u>11,930</u>	<u>-</u>	<u>11,930</u>
Recognized in other comprehensive income	<u>71,124</u>	<u>(19,961)</u>	<u>51,163</u>
Contributions from the employer	-	(25,955)	(25,955)
Benefits paid	(144,221)	144,221	-
Portion of benefits paid by the Corporation	<u>(48,883)</u>	<u>-</u>	<u>(48,883)</u>
Balance at December 31, 2021	<u>\$ 2,009,474</u>	<u>\$ (1,408,155)</u>	<u>\$ 601,319</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 2,086,713</u>	<u>\$ (1,460,045)</u>	<u>\$ 626,668</u>
Service cost			
Past service cost	63,414	-	63,414
Current service cost	27,380	-	27,380
Net interest expense (income)	<u>15,651</u>	<u>(11,014)</u>	<u>4,637</u>
Recognized in profit or loss	<u>106,445</u>	<u>(11,014)</u>	<u>95,431</u>
Remeasurement			
Return on plan assets	-	(50,537)	(50,537)
Actuarial loss			
Changes in demographic assumptions	197	-	197
Changes in financial assumptions	51,768	-	51,768
Experience adjustments	<u>20,582</u>	<u>-</u>	<u>20,582</u>
Recognized in other comprehensive income	<u>72,547</u>	<u>(50,537)</u>	<u>22,010</u>
Contributions from the employer	-	(103,129)	(103,129)
Benefits paid	(125,526)	125,526	-
Portion of benefits paid by the Corporation	<u>(87,861)</u>	<u>-</u>	<u>(87,861)</u>
Balance at December 31, 2020	<u>\$ 2,052,318</u>	<u>\$ (1,499,199)</u>	<u>\$ 553,119</u> (Concluded)

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

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

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

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

	December 31	
	2021	2020
Discount rate	0.50%	0.50%
Expected rate of salary increase	1.25%	1.25%

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

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (48,201)</u>	<u>\$ (51,768)</u>
0.25% decrease	<u>\$ 49,887</u>	<u>\$ 53,645</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 48,596</u>	<u>\$ 52,244</u>
0.25% decrease	<u>\$ (47,196)</u>	<u>\$ (50,677)</u>

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

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 228,354</u>	<u>\$ 26,324</u>
Average duration of the defined benefit obligation	10.1 years	10.4 years

20. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Amount of shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>553,620</u>	<u>553,620</u>
Shares issued and fully paid	<u>\$ 5,536,203</u>	<u>\$ 5,536,203</u>

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

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (Note 1)</u>		
Conversion of bonds	\$ 5,183,923	\$ 5,183,923
Issuance of ordinary shares	1,184,920	1,184,920
Others	4,666	4,666

(Continued)

	December 31	
	2021	2020
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (Note 2)	\$ 2,225	\$ 2,225
Share of changes in capital surplus of associates or joint ventures	<u>45,781</u>	<u>36,044</u>
	<u>\$ 6,421,515</u>	<u>\$ 6,411,778</u> (Concluded)

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

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 22.

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

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

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

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

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

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

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

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

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

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

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

d. Special reserves

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

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (926,661)	\$ (998,191)
Share from subsidiaries, associates and joint ventures accounted for using the equity method	99,920	69,097
Reclassification adjustments		
Share from the disposal of subsidiaries and associates accounted for using the equity method	<u>-</u>	<u>2,433</u>
Balance at December 31	<u>\$ (826,741)</u>	<u>\$ (926,661)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 264,666	\$ 216,562
Recognized for the year		
Unrealized gain - equity instruments	3,852	872
Share from subsidiaries and associates accounted for using the equity method	<u>182,445</u>	<u>41,814</u>
Other comprehensive income recognized for the year	186,297	42,686
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal by subsidiaries and associates	(37,315)	5,418
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(36,212)</u>	<u>-</u>
Balance at December 31	<u>\$ 377,436</u>	<u>\$ 264,666</u>

3) Gain (loss) on hedging instruments

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 6,918	\$ (19,968)
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	(3,963)	7,519
Foreign currency risk - spot rate	(19,237)	416
Share from subsidiaries and joint ventures accounted for using the equity method	<u>(32,990)</u>	<u>10,281</u>
Other comprehensive income (loss) recognized for the year	<u>(56,190)</u>	<u>18,216</u>
Transferred to initial carrying amount of hedged items	<u>20,881</u>	<u>8,670</u>
Balance at December 31	<u>\$ (28,391)</u>	<u>\$ 6,918</u>

21. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods		
Revenue from the sale of vehicles	\$ 23,050,952	\$ 22,660,118
Revenue from the sale of components	<u>4,145,570</u>	<u>3,865,653</u>
	27,196,522	26,525,771
Services revenue	328,101	356,996
Rental income	<u>80,578</u>	<u>79,281</u>
	<u>\$ 27,605,201</u>	<u>\$ 26,962,048</u>

Contract Balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (Note 12)	<u>\$ 378,396</u>	<u>\$ 456,134</u>	<u>\$ 719,498</u>
Trade receivables from related parties (Note 27)	<u>\$ 1,365,379</u>	<u>\$ 1,140,590</u>	<u>\$ 1,267,862</u>

22. NET PROFIT

Net profit includes the following:

a. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 543,354	\$ 582,896
Operating expenses	<u>97,933</u>	<u>101,864</u>
	<u>\$ 641,287</u>	<u>\$ 684,760</u>
An analysis of amortization by function		
Operating costs	\$ 759	\$ 179
Operating expenses	<u>34,194</u>	<u>31,409</u>
	<u>\$ 34,953</u>	<u>\$ 31,588</u>
An analysis of amortization in intangible assets by function		
Research and development expenses	<u>\$ 44,764</u>	<u>\$ 75,053</u>

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

	For the Year Ended December 31	
	2021	2020
Rental income from investment properties	<u>\$ 55,556</u>	<u>\$ 58,672</u>
Direct operating expenses of investment properties generating rental income	<u>\$ 13,942</u>	<u>\$ 13,224</u>

c. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 2,463,197	\$ 2,470,075
Post-employment benefits		
Defined contribution plans	56,094	48,799
Defined benefit plans	<u>71,586</u>	<u>94,911</u>
	<u>\$ 2,590,877</u>	<u>\$ 2,613,785</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,229,221	\$ 1,256,118
Operating expenses	<u>1,361,656</u>	<u>1,357,667</u>
	<u>\$ 2,590,877</u>	<u>\$ 2,613,785</u>

d. Employees' compensation and remuneration of directors

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

Amount

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

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

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

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

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

e. Impairment loss

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment (Note 15)	\$ 147,123	\$ 5,936
Intangible assets under development	<u>-</u>	<u>94,497</u>
	<u>\$ 147,123</u>	<u>\$ 100,433</u>

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

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 340,188	\$ 1,492
Taxation for repatriated offshore funds	163,463	114,087
Tax refund for offshore funds	(6,681)	-
Adjustments for prior years	<u>10,881</u>	<u>(5,965)</u>
	<u>507,851</u>	<u>109,614</u>
Deferred tax		
In respect of the current year	59,380	(8,614)
Adjustments for prior years	<u>(231)</u>	<u>-</u>
	<u>59,149</u>	<u>(8,614)</u>
Income tax expense recognized in profit or loss	<u>\$ 567,000</u>	<u>\$ 101,000</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 4,748,835</u>	<u>\$ 3,378,320</u>
Income tax expense calculated at the statutory rate (20%)	\$ 949,767	\$ 675,664
Non-deductible expense	6,018	2,092
Tax-exempt income	(492,772)	(162,872)
Taxation for repatriate offshore funds	163,463	114,087
Tax refund for offshore funds	(6,681)	-
Investment credits	(60,000)	-
Unrecognized deductible temporary differences	(3,445)	(522,006)
Adjustments for prior years' tax	<u>10,650</u>	<u>(5,965)</u>
Income tax expense recognized in profit or loss	<u>\$ 567,000</u>	<u>\$ 101,000</u>

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

For the year ended December 31, 2021, the Corporation repatriated \$781,583 thousand (RMB18,913 thousand and EUR20,691 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. Total income tax withholding was \$163,463 thousand, comprising \$86,843 thousand based on the source of income and \$76,620 thousand based on the preferential tax rate at 10%.

For the year ended December 31, 2020, the Corporation repatriated \$598,209 thousand (RMB142,805 thousand) after approval was obtained from the National Taxation Bureau, Ministry of Finance. Total income tax withholding was \$114,087 thousand, comprising \$66,468 thousand based on the source of income and \$47,619 thousand based on the preferential tax rate at 8%. Subsequent substantive investments amounted to \$158,190 thousand, and application for the refund of tax was \$6,681 thousand.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 10,233	\$ 4,402
Cash flow hedges	<u>5,800</u>	<u>(1,984)</u>
Total income tax recognized in other comprehensive income	<u>\$ 16,033</u>	<u>\$ 2,418</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 74,115</u>	<u>\$ 66,609</u>
Current tax liabilities		
Income tax payable	<u>\$ 358,283</u>	<u>\$ 238,526</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 86,396	\$ (572)	\$ 10,233	\$ -	\$ 96,057
Other payables	60,093	10,377	-	-	70,470
Inventories	34,372	14,433	-	-	48,805
Others	<u>59,990</u>	<u>25,815</u>	<u>4,837</u>	<u>(3,991)</u>	<u>86,651</u>
	240,851	50,053	15,070	(3,991)	301,983
Loss carryforwards	<u>30,741</u>	<u>(30,741)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 271,592</u>	<u>\$ 19,312</u>	<u>\$ 15,070</u>	<u>\$ (3,991)</u>	<u>\$ 301,983</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 257,960	\$ 80,341	\$ -	\$ -	\$ 338,301
Others	<u>4,051</u>	<u>(1,880)</u>	<u>(963)</u>	<u>-</u>	<u>1,208</u>
	<u>\$ 262,011</u>	<u>\$ 78,461</u>	<u>\$ (963)</u>	<u>\$ -</u>	<u>\$ 339,509</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plans	\$ 101,097	\$ (19,103)	\$ 4,402	\$ -	\$ 86,396
Other payables	60,065	28	-	-	60,093
Inventories	26,892	7,480	-	-	34,372
Others	<u>17,828</u>	<u>42,162</u>	<u>-</u>	<u>-</u>	<u>59,990</u>
	205,882	30,567	4,402	-	240,851
Loss carryforwards	<u>-</u>	<u>30,741</u>	<u>-</u>	<u>-</u>	<u>30,741</u>
	<u>\$ 205,882</u>	<u>\$ 61,308</u>	<u>\$ 4,402</u>	<u>\$ -</u>	<u>\$ 271,592</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 205,642	\$ 52,318	\$ -	\$ -	\$ 257,960
Others	<u>-</u>	<u>376</u>	<u>1,984</u>	<u>1,691</u>	<u>4,051</u>
	<u>\$ 205,642</u>	<u>\$ 52,694</u>	<u>\$ 1,984</u>	<u>\$ 1,691</u>	<u>\$ 262,011</u>

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

	December 31	
	2021	2020
Deductible temporary differences	<u>\$ 1,388,365</u>	<u>\$ 1,459,572</u>

- f. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

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

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

Net Profit for the Year

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

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

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

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

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

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ -	\$ 605,042	\$ 605,042
Mutual funds	80,459	-	-	80,459
Derivative financial instruments	-	-	613	613
	<u>\$ 80,459</u>	<u>\$ -</u>	<u>\$ 605,655</u>	<u>\$ 686,114</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 15,798	\$ -	\$ -	\$ 15,798
Domestic unlisted shares	-	-	13,226	13,226
	<u>\$ 15,798</u>	<u>\$ -</u>	<u>\$ 13,226</u>	<u>\$ 29,024</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 59,079	\$ -	\$ -	\$ 59,079
Derivative financial instruments	-	-	533	533
	<u>\$ 59,079</u>	<u>\$ -</u>	<u>\$ 533</u>	<u>\$ 59,612</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Financial liabilities at FVTPL				
Derivative financial instruments (included in other current liabilities)	\$ -	\$ -	\$ 976	\$ 976
Financial liabilities for hedging				
Derivative financial instruments (included in other current liabilities)	\$ -	\$ -	\$ 2,532	\$ 2,532
				(Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ -	\$ 603,040	\$ 603,040
Mutual funds	1,023,173	-	-	1,023,173
Derivative financial instruments	-	-	3,141	3,141
	<u>\$ 1,023,173</u>	<u>\$ -</u>	<u>\$ 606,181</u>	<u>\$ 1,629,354</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 30,370	\$ -	\$ -	\$ 30,370
Domestic unlisted shares	-	-	13,170	13,170
	<u>\$ 30,370</u>	<u>\$ -</u>	<u>\$ 13,170</u>	<u>\$ 43,540</u>
Financial assets for hedging				
Non-derivative financial instruments	\$ 115,841	\$ -	\$ -	\$ 115,841
Derivative financial instruments	-	-	2,955	2,955
	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 2,955</u>	<u>\$ 118,796</u>

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

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

For the year ended December 31, 2021

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 603,040	\$ 3,141	\$ 13,170	\$ 2,955	\$ 622,306
Recognized in profit or loss	2,002	(2,528)	-	-	(526)
Recognized in other comprehensive income (loss)	-	-	56	(2,422)	(2,366)
Balance at December 31	<u>\$ 605,042</u>	<u>\$ 613</u>	<u>\$ 13,226</u>	<u>\$ 533</u>	<u>\$ 619,414</u>

Financial Liabilities	Derivative Financial Instruments at FVTPL	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ -	\$ -	\$ -
Recognized in profit	976	-	976
Recognized in other comprehensive loss	-	2,532	2,532
Balance at December 31	<u>\$ 976</u>	<u>\$ 2,532</u>	<u>\$ 3,508</u>

For the year ended December 31, 2020

Financial Assets	Equity Instruments at FVTPL	Derivative Financial Instruments at FVTPL	Equity Instruments at FVTOCI	Derivative Financial Instruments for Hedging	Total
Balance at January 1	\$ 617,612	\$ 304	\$ 13,585	\$ 440	\$ 631,941
Recognized in profit or loss	(14,572)	2,837	-	-	(11,735)
Recognized in other comprehensive income (loss)	-	-	(415)	2,515	2,100
Balance at December 31	<u>\$ 603,040</u>	<u>\$ 3,141</u>	<u>\$ 13,170</u>	<u>\$ 2,955</u>	<u>\$ 622,306</u>

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

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

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

	December 31	
	2021	2020
Operating income ratio	0.97-4.78 times	0.69-5.21 times
P/B ratio	1.08-2.49 times	0.58-2.24 times
Discount rate for lack of marketability	32.28%	32.28%

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

	December 31	
	2021	2020
Operating income ratio		
0.1 time increase	<u>\$ 25,502</u>	<u>\$ 18,799</u>
0.1 time decrease	<u>\$ (25,502)</u>	<u>\$ (18,799)</u>
P/B ratio		
0.1 time increase	<u>\$ 64,027</u>	<u>\$ 60,304</u>
0.1 time decrease	<u>\$ (64,027)</u>	<u>\$ (60,304)</u>

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 686,114	\$ 1,629,354
Financial assets for hedging	59,612	118,796
Financial assets at amortized cost (Note 1)	10,404,431	9,711,319
Financial assets at FVTOCI	29,024	43,540
<u>Financial liabilities</u>		
Amortized cost (Note 2)	4,361,701	5,051,451
FVTPL (included in other current liabilities)		
Held for trading	976	-
Financial liabilities for hedging (included in other current liabilities)	2,532	-

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	USD to NTD	
	For the Year Ended December 31	
	2021	2020
Loss	\$ (907)	\$ (3,105)
Equity	\$ (830)	\$ -
	JPY to NTD	
	For the Year Ended December 31	
	2021	2020
Gain	\$ 79	\$ 188
Equity	\$ (2,058)	\$ (3,921)

	RMB to NTD	
	For the Year Ended December 31	
	2021	2020
Loss	\$ (4,959)	\$ (6,873)
Equity	\$ (1,805)	\$ -

b) Interest rate risk

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

	December 31	
	2021	2020
Cash flows interest rate risk		
Financial assets	\$ 7,831,796	\$ 7,360,403

Sensitivity analysis

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

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$19,579 thousand and \$18,401 thousand, respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased by \$4,023 thousand and \$51,159 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income would have decreased by \$790 thousand and \$1,518 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

3) Liquidity risk

The Corporation has sufficient operating capital to meet cash requirements for settlement of derivative transactions. Thus, liquidity risk is low. As of December 31, 2021 and 2020, the Corporation had available unutilized unsecured financing facilities of \$4,928,361 thousand and \$4,443,979 thousand, respectively.

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Names and categories of related parties

Related Party Name	Related Party Category
Mitsubishi Motors Corporation (Mitsubishi Motors Corp.)	Investor with significant influence over the Corporation
Mitsubishi Corporation	Investor with significant influence over the Corporation
Tai Yuen Textile Co., Ltd.	Investor with significant influence over the Corporation
Le Wen Investment Co., Ltd.	Investor with significant influence over the Corporation
Yulon Management Company Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Corporation (Taiwan) Ltd.	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Philippines Corporation	Subsidiary of investors that have significant influence over the Corporation
Mitsubishi Motors Thailand	Subsidiary of investors that have significant influence over the Corporation
Shye Shyang Mechanical Industrial Co., Ltd.	The Corporation is its key management personnel.
Fuzhou Samuel Mechanical and Electrical Co., Ltd.	The Corporation is its key management personnel.
Uni-Calsonic Corp.	Associate
Yulon Motor Co., Ltd.	Associate
Fortune Motors Co., Ltd. (Fortune Motors)	Associate
ROC-Spicer Ltd. (ROC-Spicer)	Associate

(Continued)

Related Party Name	Related Party Category
Uni-Auto Parts Manufacture Co., Ltd. (Uni-Auto Parts)	Associate
Shung Ye Motor Co., Ltd. (Shung Ye Motor)	Associate
Hua-Chuang Automobile Information Technical Center Co., Ltd. (Hua-Chuang Automobile Information)	Associate
Yulon IT Solutions Inc. (Yulon IT)	Associate
Sinjang Co., Ltd.	Associate
Sin Gan Co., Ltd.	Associate
Tokio Marine Newa Insurance Co., Ltd.	Associate
Hong Shuo Cultural Enterprises, Co., Ltd.	Associate
Hsiang Shuo Enterprises	Associate
Sinqual Technology Co., Ltd.	Associate
Yufong Property Management Co., Ltd.	Associate
Taiwan Acceptance Corporation	Associate
Yue Sheng Industrial Co., Ltd.	Associate
Luxgen Motor Co., Ltd.	Associate
Yulon Nissan Motor Co., Ltd.	Associate
Y-Teks Co., Ltd.	Associate
Yes-Energy Service Co., Ltd.	Associate
Yue Ki Industrial Co., Ltd.	Associate
Carplus Auto Leasing Corporation	Associate
Fortune HS Leasing Co., Ltd.	Associate
Yu Rich Financial Services Company	Associate
ROC-Keeper Industrial Ltd.	Associate
Fu-Lun Motors Co., Ltd.	Associate
Loopus Service Technology Inc.	Became associate in April 2021
Tai-Ya (Hong Kong) Investment Ltd.	Associate
Kian Shen Corporation (Kian Shen)	Subsidiary
COC Tooling & Stamping Co., Ltd. (COC)	Subsidiary
Y. M. Hi-Tech Industry Ltd.	Subsidiary
China Engine Corporation (China Engine)	Subsidiary
Ling Wei Motor Co., Ltd.	Subsidiary
Brilliant Insight International Consultancy Service Co., Ltd.	Subsidiary
Greentrans Corporation	Subsidiary
Fujian Rui Hua Consulting Co., Ltd.	Subsidiary
Sino Diamond Motors Corporation (Sino Diamond Motors)	Subsidiary
Hwa-Lin Investments Ltd.	Subsidiary
Hwa-Wei Holdings Corporation Ltd.	Subsidiary
Jiangsu Greentrans Automotive Parts Co., Ltd.	Subsidiary
South East (Fujian) Motor Corporation Ltd. (South East Corporation Ltd. by shares)	Joint venture
Fujian Benz Automotive Co., Ltd.	Joint venture
China Engine (Fujian)	Joint venture
Yuanchuang Industrial Investment Consulting Co., Ltd.	Substantive related party

(Concluded)

b. Operating transactions

1) Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales	Associates		
	Fortune Motors	\$ 18,193,402	\$ 18,551,223
	Shung Ye Motor	3,398,351	3,915,613
	Others	<u>11,866</u>	<u>14,067</u>
		21,603,619	22,480,903
	Subsidiaries	478,086	530,097
	Investors and subsidiaries of the investors that have significant influence over the Corporation	82,031	76,443
	Others	<u>7,773</u>	<u>8,217</u>
		<u>\$ 22,171,509</u>	<u>\$ 23,095,660</u>

2) Purchases of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Purchases	Associates	\$ 1,768,785	\$ 1,665,886
	Subsidiaries	1,107,226	1,004,711
	Investors and subsidiaries of the investors that have significant influence over the Corporation	831,380	882,434
	The Corporation is its key management personnel	321,283	304,317
	Others	<u>527</u>	<u>1,075</u>
		<u>\$ 4,029,201</u>	<u>\$ 3,858,423</u>

3) Technical services expense

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

4) Operating expenses

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Selling and marketing expenses, general and administrative expenses and research and development expenses	Subsidiaries	\$ 8,677	\$ 6,704
	Associates	8,600	10,605
	Investors that have significant influence over the Corporation	690	9,974
	Others	<u>1,361</u>	<u>2,775</u>
		<u>\$ 19,328</u>	<u>\$ 30,058</u>

5) Contract liabilities

Line Item	Related Party Category/Name	December 31	
		2021	2020
Other current liabilities	Subsidiaries		
	China Engine	\$ 10,200	\$ 19,915
	Investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	-	16,393
	Others	<u>1,287</u>	<u>1,646</u>
		<u>\$ 11,487</u>	<u>\$ 37,954</u>

6) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivables from related parties	Associates		
	Fortune Motors	\$ 988,259	\$ 720,680
	Shung Ye Motor	249,137	263,123
	Others	<u>994</u>	<u>1,273</u>
		1,238,390	985,076
	Subsidiaries	121,182	149,514
	Others	<u>5,807</u>	<u>6,000</u>
		<u>\$ 1,365,379</u>	<u>\$ 1,140,590</u>

7) Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payables to related parties	Associates		
	Uni-Auto Parts	\$ 121,057	\$ 148,010
	ROC-Spicer	101,305	100,270
	Others	<u>170,821</u>	<u>212,250</u>
		<u>393,183</u>	<u>460,530</u>
	Subsidiaries		
	Kian Shen	95,108	163,369
	Others	<u>77,004</u>	<u>85,810</u>
		<u>172,112</u>	<u>249,179</u>
	Investors that have significant influence over the Corporation		
	Mitsubishi Motors Corp.	79,706	126,981
	Others	<u>11,104</u>	<u>7,786</u>
		<u>90,810</u>	<u>134,767</u>
	The Corporation is its key management personnel	56,226	67,906
	Others	<u>6,846</u>	<u>6,730</u>
		<u>\$ 719,177</u>	<u>\$ 919,112</u>

8) Prepayments

Line Item	Related Party Category/Name	December 31	
		2021	2020
Prepayments	Subsidiaries	\$ 1,871	\$ 5,029
	Others	<u>430</u>	<u>334</u>
		<u>\$ 2,301</u>	<u>\$ 5,363</u>

9) Acquisitions of property, plant and equipment

Line Item	Related Party Category/Name	Purchase Price For the Year Ended December 31	
		2021	2020
Property, plant and equipment	Subsidiaries		
	COC	\$ 30,475	\$ 117,755
	Others	<u>18,255</u>	<u>6,377</u>
		48,730	124,132
	Associates	14,654	104,894
	Others	<u>-</u>	<u>6,940</u>
		<u>\$ 63,384</u>	<u>\$ 235,966</u>

10) Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal (Included in other income and other expense)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Subsidiaries	\$ 2,602	\$ 7,607	\$ 255	\$ (849)
Associates	<u>-</u>	<u>596</u>	<u>-</u>	<u>596</u>
	<u>\$ 2,602</u>	<u>\$ 8,203</u>	<u>\$ 255</u>	<u>\$ (253)</u>

11) Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Acquisitions of right-of-use assets (included in other non-current assets)	Associates Yulon IT	<u>\$ 6,512</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease liabilities (included in other current liabilities and other non-current liabilities)	Associates Yulon IT	<u>\$ 5,261</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Interest expense (included in other expense)	Associates Yulon IT	<u>\$ 41</u>	<u>\$ -</u>

The Corporation leased right-of-use of cabinet racks from its associates in 2021. The lease term of the contract was 3 years, and the rental is based on similar asset's market rental rate, and fixed lease payments are paid monthly.

12) Loans to related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Other receivables	Subsidiaries Sino Diamond Motors	<u>\$ 600,163</u>	<u>\$ 600,148</u>

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Interest revenue	Subsidiaries		
	Sino Diamond Motors	\$ 5,415	\$ 5,111

The Corporation provided financing to its subsidiary, Sino Diamond Motors, at rates comparable to market interest rates. For the years ended December 31, 2021 and 2020, the financing provided to its subsidiary were all unsecured loans.

13) Collection

Line Items	Related Party Category/Name	December 31	
		2021	2020
Other current liabilities	Subsidiaries	\$ -	\$ 10,006
	Others	-	50
		<u>\$ -</u>	<u>\$ 10,056</u>

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

Transactions with related parties have the same pricing and payment terms as of those for third parties. For lease contracts entered into with related parties, rental prices were determined by reference to market, and had general payment terms.

The Corporation signed a contract with Mitsubishi Motor Corp, refer to Note 29 for the details.

c. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 88,733	\$ 72,889
Post-employment benefits	<u>291</u>	<u>323</u>
	<u>\$ 89,024</u>	<u>\$ 73,212</u>

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

28. ASSETS PLEDGED AS COLLATERAL

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

	December 31	
	2021	2020
Pledged deposits (Note 9)	<u>\$ 163,321</u>	<u>\$ 103,577</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. The Corporation issued guarantee notes amounting to \$3,979,440 thousand which had been pledged as collateral for loans from banks and other financial institutions and for government grants; unused letters of credit amounted to \$31,320 thousand.
- b. The Corporation entered into agreements with Mitsubishi Motor Corp. as stated below:

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

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

30. OTHER ITEMS

Based on the information available as of the balance sheet date, the Corporation considered the economic implications of the pandemic when making its critical accounting estimates, refer to Note 5.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 94,681	4.344	\$ 411,295
Non-monetary items			
Investments accounted for using the equity method			
EUR	111,795	31.32	3,501,433
RMB	87,786	4.344	381,341
<u>Foreign currency liabilities</u>			
Monetary items			
JPY	448,870	0.2405	107,953
RMB	23,342	4.344	101,399

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 122,999	4.377	\$ 538,369
JPY	682,290	0.2763	188,517
Non-monetary items			
Investments accounted for using the equity method			
EUR	86,458	35.02	3,027,742
RMB	95,697	4.377	418,864
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	44,612	4.377	195,266
JPY	630,949	0.2763	174,331

For the years ended December 31, 2021 and 2020, net foreign exchange gains (realized and unrealized) were \$18,787 thousand and \$33,389 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

32. SEPARATELY DISCLOSED ITEMS

Except for those disclosed in Notes 7, 11, 26 and Tables 1 to 8, there were no other separately disclosed items.

TABLE 1

CHINA MOTOR CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

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

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

TABLE 2

CHINA MOTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 1)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by 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 (Note 2)	Dongguan Huayi	Subsidiary	20% of the Corporation's issued capital, \$1,107,241 thousand	\$ 86,880 (RMB 20,000 thousand)	\$ -	\$ -	\$ -	-	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	86,880 (RMB 20,000 thousand)	-	-	-	-	50% of the Corporation's issued capital, \$2,768,102 thousand	No	No	Yes

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

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

TABLE 3

CHINA MOTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
China Motor Corporation	<u>Beneficiary certificates</u>							
	Fubon Chi Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,160	\$ 50,016	-	\$ 50,016	
	Fuh Hwa Smart Energy Bond Fund II	-	Financial assets at fair value through profit or loss - current	2,703	30,443	-	30,443	
	<u>Shares</u>							
	Shye Shyang Mechanical Industrial	Corporate director	Financial assets at fair value through profit or loss - non-current	9,009	605,042	10.00	605,042	
	Myson Century, Inc.	Corporate director	Financial assets at fair value through other comprehensive income - non-current	2,352	14,397	3.92	14,397	
	Taiwan Aerospace	-	Financial assets at fair value through other comprehensive income - non-current	811	11,554	0.60	11,554	
	NORM Pacific Automation Corp.	-	Financial assets at fair value through other comprehensive income - non-current	128	1,672	0.45	1,672	
	Carnival	-	Financial assets at fair value through other comprehensive income - non-current	95	1,401	0.05	1,401	
	Com2B (Cayman) Corp.	-	Financial assets at fair value through other comprehensive income - non-current	2,000	-	4.44	-	
	<u>Principal guaranteed notes</u>							
	President Securities 100% Principal Guaranteed Note	-	Financial assets at amortized cost - current	-	43,314	-	-	
	<u>Corporate bonds</u>							
	Evergreen Marine Corporation	-	Financial assets at amortized cost - non-current	-	99,910	-	-	
	YAGEO Corporation	-	Financial assets at amortized cost - non-current	-	99,796	-	-	
Alliance Investment & Management	<u>Shares</u>							
	Samuel (Cayman) Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,327	86,623	15.07	86,623	
	CARPLUS Auto Leasing Corporation	-	Financial assets at fair value through profit or loss - non-current	3,248	71,714	3.45	71,714	
	T-Car Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,275	24,046	4.05	24,046	

(Continued)

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

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

(Concluded)

TABLE 4

CHINA MOTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

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

(Continued)

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

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

(Concluded)

TABLE 5

CHINA MOTOR CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
China Motor Corporation	Fortune Motors Shung Ye Motor	Investee accounted for using the equity method	\$ 988,259	21.29	\$ -	-	\$ 988,259	\$ -
		Investee accounted for using the equity method	249,137	13.27	-	-	249,137	-

TABLE 6

CHINA MOTOR CORPORATION AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
China Motor Corporation	Yulon	Miaoli, Taiwan	Manufacture and sale of vehicles	\$ 3,835,585	\$ 3,835,585	166,714,441	16.80	\$ 8,188,389	\$ 4,715,516	\$ 750,473	Investee accounted for using the equity method
	Kian Shen	Taoyuan, Taiwan	The production of frame of heavy duty car and mold	344,800	344,800	32,201,367	43.87	2,191,603	306,767	134,484	Subsidiary
	Fortune Motors	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	2,132,826	2,132,826	132,116,729	41.93	4,966,806	1,302,632	546,165	Investee accounted for using the equity method
	Sino Diamond Motors	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	2,192,724	2,192,724	151,067,030	100.00	1,430,589	92,079	90,702	Subsidiary
	Tokio Marine Newa Insurance	Taipei, Taiwan	Property insurance	955,941	955,941	61,510,524	20.57	2,382,144	1,237,752	254,612	Investee accounted for using the equity method
	Alliance Investment & Management	Taipei, Taiwan	Investment	1,200,030	1,200,030	183,000,000	100.00	1,284,812	11,102	11,102	Subsidiary
	Daimler Vans Hong Kong Ltd.	Hong Kong	Investment	2,011,363	2,011,363	46,565,750	32.45	3,501,433	3,799,262	1,232,861	Investee accounted for using the equity method
	ROC-Spicer	Taoyuan, Taiwan	Manufacture and sales of automobile parts	683,032	683,032	147,990	29.60	553,292	167,283	49,947	Investee accounted for using the equity method
	CMI	Samoa	Investment	1,402	1,402	40,000	100.00	249,510	(240,624)	(240,624)	Subsidiary
	COC	Taoyuan, Taiwan	The production of mold, fixture and gauge of vehicle	412,125	412,125	33,564,678	49.76	822,785	118,592	58,892	Subsidiary
	Hwa Wei	British Virgin Islands	Overseas investment on production and service industries	1,202	1,202	40,000	40.00	164,977	(400,999)	(160,400)	Subsidiary
	Uni Auto Parts Manufacture	Miaoli, Taiwan	The production of mold, fixture and gauge of vehicle	109,813	109,813	13,032,137	15.00	358,482	10,482	1,561	Investee accounted for using the equity method
	Shung Ye Motor	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	391,142	391,142	29,667,632	39.98	432,326	82,805	33,105	Investee accounted for using the equity method
	China Engine	Taoyuan, Taiwan	Manufacture of automobile engine and parts	625,978	625,978	87,999,000	52.10	437,354	(25,601)	(12,403)	Subsidiary
	Uni-Calsonic	Miaoli, Taiwan	Manufacture and sale of automobile parts	105,806	105,806	6,083,525	31.20	138,153	52,860	16,471	Investee accounted for using the equity method
	Yue Ki Industrial Co., Ltd.	Hsinchu, Taiwan	Manufacture and sales of car components	109,396	109,396	2,936,222	15.08	98,632	(21,574)	(3,262)	Investee accounted for using the equity method
Kian Shen	Tai-Ya Investment	Hong Kong	Investment	81,005	79,505	2,288,459	29.60	69,103	233	59	Investee accounted for using the equity method
	Hwa Chung Motors (Note 3)	Taoyuan, Taiwan	Manufacture and sale of vehicles	328,900	328,900	8,790,000	100.00	81,616	2,921	2,921	Subsidiary
Kian Shen	Kian Shen Investment	British Virgin Islands	Investment	328,888	328,888	10,296,105	100.00	4,266,538	367,248	-	Subsidiary
Kian Shen Investment	KSIHK	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907,000	100.00	RMB 952,886 thousand	RMB 77,138 thousand	-	Subsidiary
Alliance Investment & Management	Greentrans Investment	Samoa	Investment	344,369	344,369	11,200,000	100.00	211,089	(5,091)	-	Subsidiary
Sino Diamond Motors	Hua-Yu	Samoa	Overseas investment on production and service industries	1,489,334	1,489,334	36,942,942	100.00	867,762	56,473	-	Subsidiary
	China Engine	Taoyuan, Taiwan	Manufacture of automobile engine and parts	11,000	11,000	1,000	-	5	(25,601)	-	Subsidiary
	Brilliant Insight International	Taoyuan, Taiwan	Consulting and service	22,000	22,000	2,200,000	100.00	22,680	(3,365)	-	Subsidiary
	Shung Ye Motor	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	180	180	12,368	0.02	235	82,805	-	Investee accounted for using the equity method
	Fortune Motors	Taipei, Taiwan	Sales and provision of after-sales service of vehicle	24	24	1,000	-	22	1,302,632	-	Investee accounted for using the equity method
	Loopus Service Technology Inc.	Hsinchu, Taiwan	Information software service industry and leasing	31,984	-	2,056,143	42.77	31,180	(8,009)	-	Investee accounted for using the equity method

(Continued)

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

Note 1: China Engine’s board of directors resolved to dissolve Advance Power Investment on December 10, 2020 and the annulment was completed in December 2021.

Note 2: In November 2021, Hwa Chung Motors fully disposed of its interest held in its subsidiaries, Greentrans and Ling Wei, to Sino Diamond Motors, and the shareholding ratio of Sino Diamond Motors’ in the aforementioned companies was changed due to the reorganization of entities under common control.

Note 3: Hwa Chung Motors had been resolved to dissolve in December 2021. As of December 31, 2021, the liquidation had not been completed.

(Concluded)

TABLE 7

CHINA MOTOR CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of the Investee (Notes 2 and 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021 (Note 1)
					Outward	Inward						
South East (Fujian) Motor	Manufacture and sales of industrial automation products	\$ 8,163,840 (US\$ 138,000 thousand) and (RMB 1,000,000 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 954,960 (US\$ 34,500 thousand)	\$ -	\$ -	\$ 954,960 (US\$ 34,500 thousand)	\$ (1,787,424)	5.525	\$ (337,452)	\$ 272,661	\$ 720,317 (US\$ 26,023 thousand)
China Engine (Fujian)	Manufacture and sales of engines and engine parts	415,200 (US\$ 15,000 thousand)	Indirect investment in mainland China through a company registered in a third region	207,600 (US\$ 7,500 thousand)	-	-	207,600 (US\$ 7,500 thousand)	(1,630)	38.03	(815)	166,584	-
Fujian Benz Automotive	Sales of industrial automation products	8,988,840 (EUR 287,000 thousand)	Indirect investment in mainland China through a company registered in a third region	1,458,447 (EUR 46,566 thousand)	-	-	1,458,447 (EUR 46,566 thousand)	7,557,562 (EUR 227,912 thousand)	16.23	1,226,224 (EUR 36,979 thousand)	3,500,073 (EUR 111,752 thousand)	1,739,889 (EUR 55,552 thousand)
Guangzhou NTN-YULON Drivetrain	Sales and manufacture of vehicles' components	346,000 (US\$ 12,500 thousand)	Indirect investment in mainland China through a company registered in a third region	138,400 (US\$ 5,000 thousand)	-	-	138,400 (US\$ 5,000 thousand)	595,170 (RMB 137,104 thousand)	17.55	238,068 (RMB 54,842 thousand)	1,803,040 (RMB 415,064 thousand)	909,112 (RMB 209,280 thousand)
Fuzhou Fushiang Motor Industrial	Sales and manufacture of vehicles' components	492,150 (US\$ 17,780 thousand)	Indirect investment in mainland China through a company registered in a third region	78,473 (US\$ 2,835 thousand)	-	-	78,473 (US\$ 2,835 thousand)	25,540 (RMB 5,883 thousand)	15.35	8,939 (RMB 2,059 thousand)	481,849 (RMB 110,922 thousand)	215,263 (RMB 49,554 thousand)
Xiangyang NTN-YULON Drivetrain	Sales and manufacture of vehicles' components	941,120 (US\$ 34,000 thousand)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	325,764 (RMB 75,044 thousand)	17.55	130,306 (RMB 30,017 thousand)	1,001,858 (RMB 230,630 thousand)	37,358 (RMB 8,600 thousand)
Xiamen King-Long Kian-Shen Frame	Sales and manufacture of vehicles' components	417,024 (RMB 96,000 thousand)	Indirect investment in mainland China through a company registered in a third region	42,267 (US\$ 1,527 thousand)	-	-	42,267 (US\$ 1,527 thousand)	(31,409) (RMB -7,235 thousand)	21.94	(15,705) (RMB -3,618 thousand)	192,336 (RMB 44,276 thousand)	-
Beijing NTN-SEOHAN Driveshaft (Note 4)	The assembling and extra work of transmission shafts and other parts	166,080 (US\$ 6,000 thousand)	Indirect investment in mainland China through a company registered in a third region	14,947 (US\$ 540 thousand)	-	-	14,947 (US\$ 540 thousand)	-	-	-	-	-
Jiangsu Greentrans Automotive Parts	Manufacture and sales of parts of electronic motorcycles	310,016 (US\$ 11,200 thousand)	Indirect investment in mainland China through a company registered in a third region	310,016 (US\$ 11,200 thousand)	-	-	310,016 (US\$ 11,200 thousand)	(5,090)	100.00	(5,090)	211,076	-
Fujian Spicer	Manufacture of vehicles' key components, drive axle assembly and engine parts series products	889,677 (RMB 204,806 thousand)	Direct investment in mainland China	299,082 (US\$ 10,805 thousand)	-	-	299,082 (US\$ 10,805 thousand)	404,665	29.00	117,353	381,341	196,683 (RMB 45,277 thousand)

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 1)	Net Income (Loss) of the Investee (Notes 2 and 3)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021 (Note 1)
					Outward	Inward						
Shenyang Spicer	Manufacture and sale of automobile transmission, mechanical transmission, shafts and components	\$ 373,267 (RMB 85,927 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 72,245 (US\$ 2,610 thousand)	\$ 1,495 (US\$ 54 thousand)	\$ -	\$ 73,740 (US\$ 2,664 thousand)	\$ 2,354 (US\$ 84 thousand)	20.67	\$ 487 (US\$ 17 thousand)	\$ 70,871 (US\$ 2,560 thousand)	\$ -
Fujian Rui Hua	Consultation and services	94,112 (US\$ 3,400 thousand)	Indirect investment in mainland China through a company registered in a third region	94,112 (US\$ 3,400 thousand)	-	-	94,112 (US\$ 3,400 thousand)	(1,777)	100.00	(1,777)	86,610	-
Tianjin Hwarui (Note 6)	Sales and maintenance of vehicle and parts	221,994 (US\$ 8,020 thousand)	Indirect investment in mainland China through a company registered in a third region	214,824 (US\$ 7,761 thousand)	-	-	214,824 (US\$ 7,761 thousand)	(25,409)	100.00	(25,409)	171,727	-
Dongguan Huayi (Note 5)	Sales and maintenance of vehicle and parts	123,176 (US\$ 4,450 thousand)	Indirect investment in mainland China through a company registered in a third region	116,727 (US\$ 4,217 thousand)	-	-	116,727 (US\$ 4,217 thousand)	27,771	100.00	27,771	42,028	-
Dongguan Huashun (Note 5)	Sales of vehicle and parts	108,600 (RMB 25,000 thousand)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	27,778 (RMB 6,399 thousand)	100.00	27,778 (RMB 6,399 thousand)	40,986 (RMB 9,435 thousand)	-
Tianjin Hwahong (Note 6)	Sales of vehicle and parts	-	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	(1,150) (RMB -265 thousand)	100.00	(1,150) (RMB -265 thousand)	-	-

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

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

Note 2: Converted at the average exchange rates of the year ended December 31, 2021: US\$1=NT\$28.009, RMB1=NT\$4.341, EUR1=NT\$33.16.

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

Note 4: Beijing NTN-SEOHAN Driveshaft was disposed of in February 2021. The Group had applied to the Investment Commission, MOEA for a decrease in the amount of investments in mainland China on March 30, 2021 and received authorization letter of MOEAIC-Second No. 11000085360 on April 15, 2021.

Note 5: In December 2020, Dongguan Huayi and Dongguan Huashun resolved to dissolve their respective companies. The liquidation of Dongguan Huashun had been completed in February 2022. As of December 31, 2021, the liquidation of Dongguan Huayi had not been completed.

Note 6: In July 2021, Tianjin Hwarui and Tianjin Hwahoug resolved to dissolve their respective companies. The liquidation of Tianjin Hwahoug had been completed in December 2021. As of December 31, 2021, the liquidation of Tianjin Hwarui had not been completed.

(Concluded)

TABLE 8**CHINA MOTOR CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

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

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

CHINA MOTOR CORPORATION

SCHEDULE OF THE STATEMENTS OF IMPORTANT ACCOUNTING ITEMS

Statement	Schedule Number/ Reference
Statement of Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of inventories	2
Statement of changes in property, plant and equipment	Note 15
Statement of changes in accumulated depreciation of property, plant and equipment	Note 15
Change of investments accounted for using the equity method	3
Statement of accounts payable	4
Statement of other payables	Note 17
Statement of Profit and Loss	
Statement of operating revenue	5
Statement of operating costs	6
Statement of operating expenses	7
Statement of analysis of employee benefits expense, depreciation and amortization by function	8

CHINA MOTOR CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Except Amounts Shown in the Notes)**

Item	Period	Rate	Amount
Cash			
Cash on hand			\$ 650
Checking accounts and demand deposits			1,727,605
Foreign currency demand deposits (Note)			<u>100,851</u>
			<u>1,829,106</u>
Cash equivalents			
Time deposits	2022.2.1-2022.11.11	0.26%-0.82%	4,739,900
Repurchase agreements	2022.1.6	0.35%	<u>700,000</u>
			<u>5,439,900</u>
			<u>\$ 7,269,006</u>

Note: Including JPY54,472 thousand, US\$1,773 thousand, EUR8 thousand and RMB8,833 thousand, at exchange rates of JPY1=\$0.2405, US\$1=\$27.68, EUR1=\$31.32 and RMB1=\$4.344.

CHINA MOTOR CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost (Note)	Net Realizable Value
Finished goods	\$ 1,088,770	\$ 1,287,384
Work in progress	9,197	9,197
Vehicle body parts	1,836,425	1,836,425
Raw materials	77,667	77,667
Materials in transit	<u>64,326</u>	<u>64,326</u>
	<u>\$ 3,076,385</u>	<u>\$ 3,274,999</u>

Note: Allowance for loss on inventory valuation included \$42,233 thousand in finished goods and \$201,795 thousand in vehicle body parts.

CHINA MOTOR CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Except Unit Price)

Investees	Balance, January 1, 2021		Increase in 2021		Decrease in 2021 (Note 1)		Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures	Unrealized Gain on Transactions with Associates	Share Equity Adjustments (Note 2)	Balance, December 31, 2021			Market Price (Note 3)	
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount				Shares in Thousand	Percentage of Ownership	Amount	Unit Price (NT\$)	Total Amount
Listed shares														
Yulon	166,714	\$ 7,561,633	-	\$ -	-	\$ (166,714)	\$ 750,473	\$ -	\$ 42,997	166,714	16.80	\$ 8,188,389	41.9	\$ 6,985,335
Kian Shen	32,201	2,141,274	-	-	-	(70,844)	134,484	-	(13,311)	32,201	43.87	2,191,603	61.5	1,980,384
		9,702,907		-		(237,558)	884,957	-	29,686	-		10,379,992		8,965,719
Unlisted shares														
Fortune Motors	132,117	4,720,074	-	-	-	(303,869)	546,165	(640)	5,076	132,117	41.93	4,966,806		
Daimler Vans Hong Kong Ltd. (Note 4)	46,566	3,027,742	-	-	-	(777,768)	1,232,861	-	18,598	46,566	32.45	3,501,433		
Tokio Marine Newa Insurance	61,511	2,089,779	-	-	-	(93,243)	254,612	-	130,996	61,511	20.57	2,382,144		
Alliance Investment & Management	183,000	1,288,292	-	-	-	-	11,102	-	(14,582)	183,000	100.00	1,284,812		
Sino Diamond Motors	151,067	1,341,218	-	-	-	-	90,702	-	(1,331)	151,067	100.00	1,430,589		
China Motor Investment	40	414,190	-	-	-	-	(240,624)	-	75,944	40	100.00	249,510		
COC Tooling & Stamping	33,565	808,797	-	-	-	(44,911)	58,892	-	7	33,565	49.76	822,785		
Hwa Wei Holdings	40	274,747	-	-	-	-	(160,400)	-	50,630	40	40.00	164,977		
ROC-Spicer	148	544,709	-	-	-	(35,518)	49,947	-	(5,846)	148	29.60	553,292		
China Engine	87,999	447,373	-	-	-	-	(12,403)	-	2,384	87,999	52.10	437,354		
Shung Ye Motor	29,668	399,797	-	-	-	-	33,105	-	(576)	29,668	39.98	432,326		
Fujian Spicer	7,308	418,864	-	-	-	(151,378)	117,353	-	(3,498)	7,308	29.00	381,341		
Uni Auto Parts Manufacture	13,032	354,938	-	-	-	-	1,561	-	1,983	13,032	15.00	358,482		
Uni-Calsonic	6,084	129,633	-	-	-	(4,867)	16,471	-	(3,084)	6,084	31.20	138,153		
Yue Ki Industrial Co., Ltd.	2,936	101,311	-	-	-	-	(3,262)	-	583	2,936	15.08	98,632		
Hwa Chung Motors	8,790	78,695	-	-	-	-	2,921	-	-	8,790	100.00	81,616		
Tai-Ya Investment	2,242	67,952	46	1,500	-	-	59	-	(408)	2,288	29.60	69,103		
		16,508,111		1,500		(1,411,554)	1,999,062	(640)	256,876			17,353,355		
		\$ 26,211,018		\$ 1,500		\$ (1,649,112)	\$ 2,884,019	\$ (640)	\$ 286,562			\$ 27,733,347		

Note 1: It is the issuance of cash dividends.

Note 2: 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 3: The unit price was calculated by the closing price as of December 31, 2021.

Note 4: In February 2022, Daimler Vans Hong Kong Ltd. changed its entity name, which is Mercedes-Benz Vans Hong Kong Ltd.

CHINA MOTOR CORPORATION**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Company Name	Amount
Daimler Trucks Asia Taiwan Ltd.	\$ 93,211
Wu Shiang Industrial Co., Ltd.	86,369
Lioho Machine Works, Ltd.	71,297
Tai Yue Electric Co., Ltd.	63,391
Borgwarner Shanghai Automobile Fuel Systems Co., Ltd.	50,278
Others (Note)	<u>1,197,083</u>
	<u>\$ 1,561,629</u>

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, 2021
(In Thousands of New Taiwan Dollars)**

Item	Number	Amount
Net sales		
Domestic sales		
Four-wheel vehicles		
Commercial vehicles	33,983	\$ 15,201,994
Passenger cars	15,458	<u>7,360,831</u>
		<u>22,562,825</u>
Two-wheel vehicles	5,365	<u>198,493</u>
Others		
Vehicle body parts		3,570,595
Spring steel		326,487
Equipment		<u>70,767</u>
		<u>3,967,849</u>
		<u>26,729,167</u>
Foreign sales		
Four-wheel vehicles	1,028	289,634
Materials		145,559
Royalties		7,773
Equipment		<u>24,389</u>
		<u>467,355</u>
		<u>27,196,522</u>
Other sales revenue		
Service revenue		328,101
Lease revenue		<u>80,578</u>
		<u>408,679</u>
		<u>\$ 27,605,201</u>

CHINA MOTOR CORPORATION
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	
Balance, beginning of year	\$ 2,019,485
Add: Raw materials purchased	17,694,131
Less: Usage of indirect materials	94,581
Cost of goods sold of materials	2,484,543
Transferred to other costs	2,865
Raw materials and vehicle body parts, end of year	<u>2,180,213</u>
Usage of direct materials	14,951,414
Direct labor	672,178
Manufacturing expenses	<u>1,306,893</u>
Manufacturing costs	16,930,485
Add: Work in progress, beginning of year	35,802
Less: Work in progress, end of year	<u>9,197</u>
Cost of finished goods	16,957,090
Add: Finished goods, beginning of year	1,126,816
Tax of goods	3,466,049
Others	217,326
Less: Finished goods, end of year	1,131,003
Transferred to other expenses	3,588
Original equipment manufacturer	<u>120,066</u>
Cost of goods sold of finished goods	20,512,624
Add: Cost of goods sold of vehicle body parts	2,484,543
Losses of provision	65,302
Inventories write-downs	72,166
Less: Others	<u>39,734</u>
Total cost of goods sold	23,094,901
Other operating costs	<u>174,959</u>
Total operating costs	<u>\$ 23,269,860</u>

CHINA MOTOR CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Items	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Personnel expenses	\$ 114,031	\$ 391,233	\$ 856,392	\$ 1,361,656
Development expenses	5,917	-	252,623	258,540
After sales service expenses	98,009	-	-	98,009
Depreciation	4,617	31,133	62,183	97,933
Advertisement	63,683	1,648	-	65,331
Labor service expense	3,483	44,797	2,380	50,660
Welfare	-	41,584	-	41,584
Export expense	37,966	-	-	37,966
Others (Note)	<u>37,995</u>	<u>193,777</u>	<u>217,204</u>	<u>448,976</u>
	<u>\$ 365,701</u>	<u>\$ 704,172</u>	<u>\$ 1,390,782</u>	<u>\$ 2,460,655</u>

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Amount of Operating Costs	Amount of Operating Expenses	Total	Amount of Operating Costs	Amount of Operating Expenses	Total
Employee benefits expense						
Salary	\$ 1,053,166	\$ 1,156,729	\$ 2,209,895	\$ 1,085,226	\$ 1,147,913	\$ 2,233,139
Labor and health insurance	86,017	81,185	167,202	81,432	75,616	157,048
Pension	59,441	68,239	127,680	58,266	85,444	143,710
Board compensation	-	26,559	26,559	-	20,880	20,880
Other employee benefits	30,597	28,944	59,541	31,194	27,814	59,008
	<u>\$ 1,229,221</u>	<u>\$ 1,361,656</u>	<u>\$ 2,590,877</u>	<u>\$ 1,256,118</u>	<u>\$ 1,357,667</u>	<u>\$ 2,613,785</u>
Depreciation	<u>\$ 543,354</u>	<u>\$ 97,933</u>	<u>\$ 641,287</u>	<u>\$ 582,896</u>	<u>\$ 101,864</u>	<u>\$ 684,760</u>
Amortization	<u>\$ 759</u>	<u>\$ 78,958</u>	<u>\$ 79,717</u>	<u>\$ 179</u>	<u>\$ 106,462</u>	<u>\$ 106,641</u>

1. As of December 31, 2021 and 2020, the Corporation's average number of employees was 1,982 and 2,004, respectively, which included 8 non-employee directors for both years.
2. The average amount of employee benefit expense for the years ended December 31, 2021 and 2020 was \$1,299 thousand and \$1,299 thousand, respectively.
3. The average employee salary expense for the years ended December 31, 2021 and 2020 was \$1,120 thousand and \$1,119 thousand, respectively.
4. The average employee salary expense increased by 0.09% year over year.
5. The Corporation did not have supervisor for the years ended December 31, 2021 and 2020.
6. The board of directors is authorized to determine the remuneration of directors with reference to industry standards. The compensation program of the executive officers and employees includes a monthly salary and bonuses. In order to remain competitive, the Corporation provides a monthly salary and bonuses that is above the median salary of the same industry based on the salary reports as provided by human resources firms. In addition, the Corporation determines the amount of variable bonuses and yearly raises based on business and individual performance. Based on the Corporation's articles of incorporation (Note), employees' compensation is given in order to motivate employees and create benefit for the Corporation and its shareholders.

Note: According to the Article 27 in Articles of Incorporation of the Corporation, the Corporation accrues employees' compensation and remuneration of directors at the rates of no less than 0.1% and no higher than 0.5%, respectively.