

Media Release:

# China Motor Corp. Assigned 'twA/twA-1' Ratings; Outlook Stable

December 30, 2025

## Rating Action Overview

- China Motor Corp. is a Taiwan-based automotive company manufacturing and selling commercial and passenger vehicles, with EBITDA of NT\$4.9 billion in 2024.
- China Motor's strong position as the largest domestic manufacturer of commercial vehicles under five tons, coupled with good operating efficiency support its competitive edge and profitability. Nonetheless, its relatively weaker market position in the domestic passenger car segment and small operating scale somewhat temper its overall strengths.
- We see China Motor continuing to generate positive free operating cash flow in 2025-2027, supported by improving the EBITDA generation of its core car manufacturing business. This, along with sufficient cash on hand should support the company's very low debt leverage over the period despite high capex for car model development.
- Taiwan Ratings today assigned its 'twA' long-term and 'twA-1' short-term issuer credit ratings to China Motor.
- The stable rating outlook reflects our anticipation that China Motor's sustainable sales in the commercial vehicle segment and introduction of new passenger car models will support its market share improvement and EBITDA generation over the next two years.

### PRIMARY CREDIT ANALYST

**Susan Chen**  
Taipei  
(886)-2-7724-8658  
susan.chen  
@taiwanratings.com.tw  
susan.chen  
@spglobal.com

### SECONDARY CONTACT

**James Hung, CFA**  
Taipei  
(886)-2-7724-6591  
james.hung  
@taiwanratings.com.tw  
james.hung  
@spglobal.com

## Rating Action Rationale

**China Motor's high domestic market share should bolster its business position and ensure sustainable operating cash flow generation.** We believe the company's strong in-house capabilities in car model development, good brand recognition, and extensive service and dealer networks in Taiwan reinforce its local market leadership in commercial vehicles under five tons. China Motor remains the largest manufacturer in this segment in Taiwan, with a 40%-55% market share over the past two to three years. The company's technical capabilities enable it to swiftly develop and adjust its product range to meet local market demand while at the same time delivering high value-for-money products. This is particularly crucial to China Motor's targeted customers, which are primarily price sensitive local small and medium sized enterprises.

The domestic commercial vehicle sector typically experiences less competition from imported brands, which results in less intense price competition compared with the passenger car sector. China Motor's leading market position also enhances its pricing power. These factors underpin a generally higher margin for its commercial vehicle segment, which coupled with likely sustainable sales volume under Taiwan's stable economic growth path and China Motor's ongoing model facelifts, should provide a stable source of operating cash flow in 2025-2027.

**Good operating efficiency to support profitability in 2025-2027.** China Motor's stable sales volume in the commercial vehicle segment combined with its expansion into the passenger car segment supports a high utilization rate and provides economies of scale, in our view. That's under our projection for the passenger market to see increasing sales over the next two years. Meanwhile, the company has invested heavily in automation and utilized AI and internet-of-things (IoT) to enhance smart manufacturing and better facilitate high-volume vehicle production.

Moreover, China Motor's robust self-developed capabilities, established relationships with local suppliers, and a degree of vertical integration into upstream component companies through equity investments contribute to the company's effective supply chain management. These could help prevent abrupt supply and production disruptions. We believe these factors enable China Motor to achieve profitability that is largely comparable to, and even slightly better than its regional peers. We project China Motor's EBITDA margin will remain at 10%-11% over the next one to two years, likely remaining above our forecast for Mitsubishi Motors Corp. at 5%-7% and Yulon Motor Co. Ltd. at 8%-10%.

**China Motor's diminished market position in Taiwan's passenger car segment tempers its strengths.** The company's sales volume for Mitsubishi-branded passenger cars has declined over the past three to five years, mainly due to intense market competition and a lack of new model introductions or major facelifts. We attribute this to Mitsubishi Motors' own struggling operating performance. As a result, the market share of Mitsubishi-branded vehicles in the domestic new car market fell to 2.4% in the first three quarters in 2025 from 5.5% at the end of 2021. China Motor plans to introduce at least one new model a year over the next two to three years which should help to boost sales of Mitsubishi vehicles. However, we expect its market position to remain relatively weak due to the brand's limited product lineup, especially compared to the market leader Hotai Motor Co. Ltd.

Additionally, the Taiwan government's stricter regulations on car models introduced from China could hinder improvement in the market position of MG-branded vehicles. While China Motor should be able to quickly meet the local components percentage requirements, this may incur incremental costs. Such regulations have already led to a material sales drop for MG cars domestically in 2025 and could further delay the introduction of new MG car models over the next one to two years, constraining the brand's market share expansion over the period. We therefore believe that China Motor's pressured performance in the passenger car segment could somewhat weigh on the company's margin over the next two years.

**Single market concentration and smaller operating scale also constrain China Motor's competitive position.** The company exclusively operates in Taiwan's auto market, which has recorded low-single digit annual growth along with cyclicity over the past few years. We project sales volume for the domestic new car market will rebound by 4%-6% in 2026 after plummeting by 10%-15% in 2025, with a possible 1%-3% annual increase from 2027. One factor partly offsetting China Motor's geographic concentration is its equity investment in Fujian Benz Automotive Co. Ltd., which mainly operates in China's high-end commercial vehicle segment.

However, cash dividends received from the investment will likely deteriorate over the next two years under intense market competition. Additionally, China Motor's revenue base is much smaller than its regional peers which benefit from more diverse geographical footprints.

China Motor's exposure to both passenger and commercial vehicle segments, and its brand diversification through China Motor, Mitsubishi, and MG partly offset the company's concentration risk. We forecast the revenue contribution from passenger and commercial vehicle segments could reach 55%-60% and 40%-45%, respectively, over the next two years.

**Improving operating cash flow generation and ample cash on hand support low debt leverage in 2025-2027.** We anticipate China Motor continuing to generate positive free operating cash flow over the period, driven by the enhancing profitability of the company's core business. This is despite China Motor maintaining high capital expenditure (capex) of new Taiwan dollar (NT\$)1.8 billion-NT\$2 billion during 2025-2026, primarily to support new car model development and maintain production facilities. We also project working capital outflow will reach around NT\$1 billion in full year 2025, mainly to facilitate the introduction of a new passenger car models by yearend. Nevertheless, the increase in operating cash flow generation over the next one to two years, combined with a sufficient cash balance of nearly NT\$5.3 billion as of Sept. 30, 2025, should enable China Motor to maintain debt-to-EBITDA below 0.5x in 2025 and turn to a net cash position in 2026-2027.

## Outlook

The stable outlook reflects our view that China Motor could improve its market share in Taiwan's new auto market to 12.5%-14.5% in 2026-2027, up from 10.0%-11.0% in 2025. Sustainable sales of commercial vehicles and the introduction of new passenger vehicle models will drive growth over the next one to two years. The anticipated increase in sales volume could enhance the company's utilization rate and further support EBITDA expansion in 2026-2027. This is despite a deterioration in cash dividends received from equity investments during the period, primarily due to a sluggish performance at Fujian Benz amid fierce price competition in China's auto market.

China Motor's sustainable operating cash flow generation and sufficient cash on hand should support a net cash position over the next two years. This is despite high capex needs during the period to support development in new car model development.

### Downside scenario

We may lower the long-term rating on China Motor if:

- The company's overall share in Taiwan's new auto market deteriorates to below 8% without signs of recovery, possibly due to a material sales volume decline in both commercial and passenger car segments under intense industry competition; or
- China Motor's adjusted EBITDA margin weakens consistently to below 8%. This could result from: 1) erosion in the company's cost competitiveness due to local content regulations, or a material sales loss that leads to a low utilization rate that weakens its core business's profitability, or 2) cash dividends received from equity method investments fall materially below our forecast, possibly due to rising competition in China's commercial auto market; or
- The company becomes more aggressive in its investments for the development of new car models without achieving a corresponding improvement in profitability that leads to a material uplift in debt. Weakening in the debt-to-EBITDA ratio to consistently above 2x would indicate such deterioration in debt leverage.

## Upward scenario

We may upgrade China Motor if:

- The company meaningfully increases its market share in Taiwan's new car market, possibly through the constant introduction of new models or major facelifts that boost both commercial and passenger sales volume, which we believe to be sustainable; meanwhile, the company sustains its profitability; and
- At the same time, the company consistently maintains the debt-to-EBITDA ratio below 1x.

## Company Description

Founded in 1969, China Motor is a Taiwan-based automotive company that operates comprehensively across the auto value chain, from design and development to manufacturing and final sales. The company manufactures and sells commercial vehicles under its own brand, China Motor, as well as passenger vehicles under license from two foreign brands: Mitsubishi Motors and MG. In 2024, China Motor generated NT\$39.2 billion in revenue and NT\$4.9 billion in EBITDA.

Yulon Motor and its related entities are China Motor's main shareholders, with total shareholdings of around 40% as of mid-2025. Meanwhile, as a long-term partner, Mitsubishi Motors is the second largest shareholder, accounting for a 14% shareholding. China Motor's major equity investments include Yulon Motor (a 16.13% stake), Fortune Motors Co. Ltd. (41.93%), Tokio Marine Nawa Insurance Co. Ltd. (24.04%) and Fujian Benz (16.23%). Cash dividends received from these investments totaled NT\$2.2 billion in 2024 and represented 44.8% of China Motor's total EBITDA for the year.

## Our Base Case Scenario

- S&P Global Ratings' projected growth for Taiwan's real GDP of 6.7% in 2025, 2.4% in 2026, and 2.3% in 2027.
- New car sales in Taiwan's auto market are likely to decline by 10%-15% in 2025, due to consumers' delayed consumption led by expectations of both potentially lower import car taxes and automobile excise taxes. Sales volume will likely rebound in 2026 as tariff policies between the U.S. and Taiwan become clearer, and a reduction in the automobile excise tax which came into effect in the second half of 2025.
- China's domestic light vehicle sales to increase by up to 3% in 2025, supported by the China government's stimulus measures. However, China sales could decline by 1%-3% in 2026 due to pulled forward demand in 2025 following the local government's subsidies and consumer buying in anticipation of a 5% purchase tax on electric vehicles (EVs) from 2026.
- China Motor's revenue to drop by 20%-25% in 2025, before rebounding by 25%-30% in 2026. The growth in 2026 will be primarily fueled by the introduction of a new crossover utility vehicle (CUV) model, Mitsubishi xForce by the end of 2025, as well as the full-year sales of the new multi-purpose vehicle (MPV), MG G50+ introduced in the third quarter of 2025. Revenue could decline slightly by 1%-3% in 2027, given a higher base in 2026.
- Gross margin to improve to 19%-20% in 2025 from 17.1% in 2024 but decline to 17%-18% in 2026-2027, following China Motor's change to its product mix for commercial and passenger vehicles. The increase in production volume should underpin China Motor's satisfactory utilization rate over the next two years, further supporting its profitability, in our view.

- Sales, goods and administrative costs plus R&D expense to remain high as a proportion of revenue at 10%-13% in 2025-2027, mainly to support China Motor's car sales and ongoing product development.
- Cash dividends received from equity investments will decline to NT\$1.0 billion-NT\$1.5 billion in 2025-2027 from NT\$2.2 billion in 2024, mainly due to the decline in cash dividends from Fujian Benz. This mainly reflects our projection of the deteriorating sales volume of Fujian Benz in China's auto market, as well as the company's lower cash dividend payout ratio during the period, given the increasing investments in developing EV models.
- We project lengthening in the cash conversion days in 2025 in preparation for new car model launches at the end of the year.
- Capex to remain high at NT\$1.8 billion-NT\$2.0 billion in 2025-2026, mainly to support the development of new car models and maintain equipment. Capex to decline to NT\$1.0 billion-NT\$1.5 billion in 2027.
- Dividend payout ratio of 55%-60% annually in 2025-2027.

### Key metrics

#### China Motor Corp. – Taiwan Ratings Corp. Forecast Summary

Industry sector: Auto OEMs

(Mil. NT\$)	2023a	2024a	2025e	2026f	2027f
Revenue	38,507	39,243	31,270	40,277	39,782
EBITDA (reported)	3,506	2,710	2,228	3,012	2,975
Plus: Cash dividends from equity investments	2,332	2,202	1,492	1,105	1,084
EBITDA	5,838	4,912	3,720	4,117	4,058
Less: Cash interest paid	(6)	(14)	(53)	(53)	(53)
Less: Cash taxes paid	(114)	(470)	(171)	(107)	(140)
Funds from operations (FFO)	5,718	4,429	3,497	3,958	3,866
Cash flow from operations (CFO)	7,115	2,560	2,499	4,975	3,950
Capital expenditure (capex)	2,414	1,871	1,891	1,905	1,120
Free operating cash flow (FOCF)	4,701	689	608	3,070	2,830
Discretionary cash flow (DCF)	2,486	(2,632)	(1,705)	1,572	870
Debt (reported)	632	3,760	3,799	3,799	3,799
Plus: Lease liabilities debt	147	143	143	143	143
Plus: Pension and other postretirement debt	175	148	148	148	148
Less: Accessible cash and liquid Investments	(5,160)	(5,231)	(3,591)	(4,952)	(5,705)
Debt	--	--	499	--	--
Cash and short-term investments (reported)	5,772	5,851	4,147	5,718	6,588
<b>Adjusted ratios</b>					
Annual revenue growth (%)	30.3	1.9	(20.3)	28.8	(1.2)
EBITDA margin (%)	15.2	12.5	11.9	10.2	10.2
Debt/EBITDA (x)	--	--	0.1	--	--
FOCF/debt (%)	N.M.	N.M.	121.7	N.M.	N.M.

NT\$--new Taiwan dollar. N.M.--Not meaningful.

## Liquidity: Adequate

The short-term rating on China Motor is 'twA-1'. We believe that China Motor has adequate liquidity to meet its needs over the 12 months ending September 2026. The ratio of liquidity sources to liquidity uses will be around 1.3x over the period. The company's liquidity profile also incorporates our view that China Motor's liquidity sources will continue to exceed uses even if its EBTIDA were to decline by 15%. This assessment reflects our view that the company has prudent risk management and a sound relationship with banks in Taiwan.

We also believe the company has the capacity to absorb high impact, low probability events without refinancing, given its very low debt leverage. China Motor is also likely to maintain a sufficient covenant headroom.

### Principal liquidity sources:

- Cash and short-term investments of NT\$5.3 billion as of the end of September 2025.
- Funds from operation of NT\$3.5 billion-NT\$4.0 billion over the 12 months ending September 2026.
- Working capital inflows of NT\$200 million-NT\$300 million over the 12 months ending September 2026.

### Principal liquidity uses:

- Debt maturities of NT\$5.3 billion over the 12 months ending September 2026.
- Maintenance capex of NT\$600 million over the 12 months ending September 2026.
- Cash dividend payout amount of NT\$1.5 billion over the 12 months ending September 2026 under a stress scenario.

## Environmental, Social, And Governance

Environmental factors, specifically climate transition risks, are negative considerations in our credit rating analysis of China Motor. The global automotive industry is undergoing a significant shift from internal combustion engines to emission-free EVs, driven by stringent environmental regulations.

While environmental regulations are so far less stringent in Taiwan, the government has set a target of net-zero carbon emissions by 2050. The domestic EV adoption rate remains low, albeit increasing, at the end of 2025, with EVs comprising only 5%-10% of new car sales in 2025, primarily due to Taiwan's inadequate charging infrastructure. Consequently, China Motor faces less urgency in transitioning to EVs for both of its commercial and passenger car segments. Nevertheless, the company is proactively investing in car development and has launched a self-developed electric commercial vehicle in 2025, with plans to introduce additional electric models over the next two years.

China Motor's commitment to innovation is reflected in its R&D expenses, which accounted for 5.0%-6.5% of revenue in 2024, and an increase in capex in 2025-2026 to develop new models. China Motor's increasing sales volume underpins the company's improving utilization rate, together with good operating efficiency should help to maintain its enhanced key credit metrics, including profitability and debt leverage over the next two years.

To align with its sustainability goals, China Motor aims to reduce absolute scope 1 and 2 greenhouse gas emissions by 31.5% by 2030, using 2024 as the base year, with emissions declining by 63% by 2035 and achieving net-zero emissions by 2050. The company also targets to reach 100% EV and scooter production by 2050. To meet these targets, China Motor has implemented a zero-refrigerant leakage management program, developed comprehensive low-carbon design principles, and installed a solar power generation system in its Yangmei manufacturing site. In addition, the company has collaborated with supply chain partners to implement carbon reduction initiatives, resulting in a cumulative reduction of 12,595 metric tons of carbon dioxide in 2024. These initiatives had a limited negative impact on the company's key credit metric in 2024, in our view.

Social and governance factors are neutral in our credit analysis of China Motor.

## Rating Component Scores

Issuer Credit Rating: twA/Stable/twA-1

Note: All scores below are in comparison with global obligors

Business risk: Fair

- Country risk: Intermediate
- Industry risk: Moderately high
- Competitive position: Fair

Financial risk: Modest

- Cash flow/Leverage: Modest

Anchor: twa+

Modifiers:

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: twa

## Related Criteria & Research

### Related Criteria

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024
- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### New Ratings

#### China Motor Corp.

Issuer Credit Ratings

twA/Stable/twA-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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