Federal Corporation and Subsidiaries

Consolidated Financial Statements for the year ended December 31, 2020 and 2019 and independent Auditors' Report

(Stock : 2102)

Company Address: No. 369 Chung Hwa Road, Section 2, Chungli District, Taoyuan City.

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Consolidated Financial Statements for

the year ended December 31, 2020 and 2019 and independent Auditors' Report

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<u>FEDERAL CORPORATION</u>

Statement of Financial Report on Consolidation of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare.

Company Name：FEDERAL CORPORATION

Person in charge：Shu-Jam Ma

March 26. 2021

INDEPENDENT AUDITORS' REPORT

(2021) Tsai-Audit Report No. 20004678

Dear the Board of Directors and Shareholders of Federal Corporation,

Opinions

We have audited the accompanying balance sheets of Federal Corporation (the "Federal Group"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors please refer to the Other matter section, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Federal Group as of December 31, 2020 and 2019, 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 and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC").

Basis of Opinion

We conducted our audits in 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. ; for the audits conducted in 2019 was in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Financial Supervisory Commission letter dated 25 February 2020 No. Financial-Supervisory-Securities-Auditing-1090360805 and the ROC Generally Accepted Accounting Principles (ROC GAAP) .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 ROC, 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.

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, 2020. 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 audited items in the Federal Group's consolidated financial statements for 2020 are as follows:

Key Audit Item 1: Valuation of net realizable value of inventories

<u>Description</u>

Please refer to Notes 4 (13), 5 and 6 (5) to the financial statements for the accounting policies, significant accounting estimates and uncertainties in assumptions regarding the valuation of inventories and accounting entries.

The Federal Group's main business is the design, development and sale of various types of tires. The Federal Group measures its inventories at the lower of cost or net realizable value, with inventories older than a specified period at the net realizable value of similarly sized items.

Because tires are the primary product sold by the Federal Group and management's assessment of their net realizable value involves subjective judgment, which has a significant impact on the valuation of inventories, we consider the assessment of net realizable value of inventories to be one of our key audit matters.

Response to the audit procedures

The procedures that we have performed at the specific level described in the critical review above are summarized as follows.

1. To obtain information about the Company's policy for recording allowance for losses on inventories and to compare it with the financial statements for the same period.

2. To understand the inventory management process, review its annual inventory plan and participate in the annual inventory count, and verify the inventory details

To evaluate the effectiveness of management in segregating and controlling obsolete inventories.

3. to obtain a statement of net realizable value of inventories as of the end of the financial reporting period, to sample sources of information such as selling prices of commodities or purchase prices used for net realizable value, and to recalculate the inventory allowance for impairment loss to confirm that such accounting estimates have been performed in a manner consistent with its policies.

Key Audit Item 2: Accuracy of sales revenue cut-off

Description

Please refer to Notes 4(27) and 6(20) to the consolidated financial statements for the accounting policies and accounting entries related to revenue recognition.

Sales to customers involve different types of transaction terms. Sales to customers are recognized as revenue based on the transfer of significant risks and rewards of the goods shipped to the buyer based on the transaction terms agreed upon by the individual customer, particularly whether the significant risks and rewards of the goods shipped prior to the end of the reporting period are transferred to the buyer based on the agreed upon transaction terms. Therefore, we consider the correctness of the sales revenue cutoff to be one of the critical items to be audited.

Response to the audit procedures

The procedures that we have performed at the specific level described in the key audit items above are summarized as follows.

1. To understand and evaluate the operating procedures and relevant internal controls over sales revenue

2. to review the details of post-period sales returns to confirm that there were no significant abnormal sales returns.

3. perform cut-off tests on sales revenue transactions for the period immediately preceding or following the end of the financial reporting period, including the reconciliation of purchase orders, customer orders and customs declarations, and review the terms of the transactions to confirm that revenue is recognized in the appropriate period.

4. To perform the balance confirmation test for accounts receivable as of the end of the financial reporting period to confirm that the accounts receivable and sales revenue are recorded in the correct period to meet the point of revenue recognition.

Other matters – individual financial reports

Federal Corporation has prepared its financial statements for the years ended December 31, 2020 and 2019, and we have issued an unqualified audit report thereon for your information.

Management's and Governance's Responsibility for the Consolidated Financial Statements

Management's responsibility is to prepare consolidated financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations and Interpretations issued by the Financial Supervisory Commission, and to maintain such internal control relevant to the preparation of consolidated financial statements as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management's responsibility also includes assessing the ability of the Federal Group to continue as a going concern, the disclosure of related matters, and the adoption of the going concern basis of accounting, unless management intends to liquidate the Federal Group or cease operations, or there is no practical alternative to liquidation or discontinuation of operations.

The governance unit (audit committee) of the Federal Group has the responsibility for overseeing the 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 auditing standards generally accepted in the ROC 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 performed in accordance with auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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 to our auditors’ report to the related disclosures in the financial statements, 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. We have obtained sufficient and appropriate auditing evidence of the financial information of the constituent entities of the Group to express our opinions on the consolidated financial statements. We are responsible for the guidance, supervision and execution of the Group's audits and we are responsible for providing auditing opinions with the Group.

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 2020 financial statements 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.

PricewaterhouseCoopers Taiwan

DU, Pei-ling
CPA
LIN, Jung-Yao

The Ex-Securities and Futures Commission, Ministry of Finance
Approved-certified No.:(84) No. Taiwan-Financial-Securities-VI-13377
(85) No. Taiwan-Financial-Securities-VI-68702

March 26, 2021

FEDERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands of New Taiwan Dollars)

	Assets	Note	December 31 2020		December 31 2019	
			Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	6 (1)	$ 1,681,441	12	$ 1,319,655	10
1110	Financial assets at fair value through profit or loss - current	6 (2)	45,038	-	663	-
1136	Financial assets at amortized cost - current	6 (1) and 8	167,221	1	62,568	1
1150	Net Notes Receivable	6 (4)	31,380	-	39,516	-
1170	Net Accounts Receivable	6 (4)	1,155,058	8	875,071	6
1200	Other Receivables		2,625	-	338	-
1220	Tax Assets		6,087	-	8,583	-
130X	Inventories	6 (5)	957,573	7	1,038,255	8
1410	Prepayments		147,836	1	123,927	1
1460	Pending sale of noncurrent Assets net	6 (6)	694,880	5	699,114	5
1470	Other Current Assets		172,472	1	-	-
11XX	**Total current assets**		5,061,611	35	4,167,690	31
	Non Current Assets					
1517	Financial assets at fair value through other comprehensive income or loss －Non Current	6 (3)	391,450	3	267,077	2
1600	Property, Plant and Equipment	6 (7) and 8	8,687,618	60	8,765,188	65
1755	Right-of-use Assets	6 (8)	44,050	-	56,306	-
1760	Net Investment property	6 (10)	62,838	-	60,323	-
1780	Intangible Assets	6 (11)	10,531	-	18,661	-
1840	Deferred tax assets	6 (27)	99,811	1	114,629	1
1920	Refundable Deposits	8	44,641	-	44,216	-
1990	Other Non Current Assets－Other	6 (12)	173,255	1	108,985	1
15XX	**Total noncurrent assets**		9,514,194	65	9,435,385	69
1XXX	**Total Assets**		$ 14,575,805	100	$ 13,603,075	100

(Continued)

FEDERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands of New Taiwan Dollars)

	Liabilities and Equity	Note	December 31 2020 Amount	%	December 31 2019 Amount	%
	Current Liabilities					
2100	Short-term loans	6 (13)	$ 927,510	6	$ 517,075	4
2130	Liabilities Contract－Current	6 (20)	36,515	-	25,557	-
2150	Notes Payable		12,606	-	24,676	-
2170	Accounts Payable		298,493	2	249,927	2
2200	Other Payables	6 (14)	696,141	5	428,863	3
2230	Tax Liabilities		2,561	-	2,054	-
2260	Liabilities directly related to Non Current Assets to be sold	6 (6)	63,615	1	64,637	-
2280	Lease Liabilities－Current		13,692	-	18,025	-
2320	Long-term Liabilities due within one year or one business cycle	6 (15)	297,593	2	123,810	1
2399	Other Current Liabilities－Other		182,720	1	76,925	1
21XX	**Current Liabilities Total**		2,531,446	17	1,531,549	11
	Non Current Liabilities					
2540	Long-term Loans	6 (15)	3,805,271	26	4,051,918	30
2570	Deferred tax liabilities	6 (27)	537,415	4	531,780	4
2580	Lease Liabilities－Non Current		7,732	-	15,274	-
2640	Defined Benefit Liabilities－Non Current	6 (16)	146,780	1	149,175	1
2645	Deposits received		3,736	-	3,589	-
25XX	**Total noncurrent liabilities**		4,500,934	31	4,751,736	35
2XXX	**Liabilities Total**		7,032,380	48	6,283,285	46
	Equity					
	Capital stock	6 (17)				
3110	Common Stock		4,733,292	32	4,733,292	35
	Capital Surplus	6 (18)				
3200	Capital Surplus		156,764	1	156,764	1
	Retained earnings	6 (19)				
3310	Legal reserve		732,944	5	732,944	5
3320	Appropriated Retained Earnings		1,911,517	13	1,911,517	14
3350	Unappropriated earnings(Losses to be covered)		30,708	-	(60,228)	-
	Other Equity					
3400	Other Equity		161,235	2	28,536	-
3500	Treasury Stocks	6 (17)	(183,035)	(1)	(183,035)	(1)
3XXX	**Total Equity**		7,543,425	52	7,319,790	54
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total Liabilities and Equity**		$ 14,575,805	100	$ 13,603,075	100

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements.

Chairman：Shu-Jam Ma　　President：Chong-Yi Chen　　Accounting Manager: Xin-Yu Lee

FEDERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(In Thousands of New Taiwan Dollars)
(Except Earnings per Share (loss) in NT$)

	Item	Note	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenues	6 (20)	$ 5,704,663	100	$ 4,541,002	100
5000	Operating costs	6 (5)(25) (26)	(4,402,644)	(77)	(3,855,187)	(85)
5950	Operating gross revenues		1,302,019	23	685,815	15
	Operating expenses	6 (25) (26)				
6100	Marketing expenses		(669,147)	(12)	(677,059)	(15)
6200	Administration expenses		(251,781)	(4)	(256,168)	(6)
6300	R&D expenses		(123,761)	(2)	(109,799)	(2)
6450	Expected credit impairment gian (loss)	12(2)	11,985	-	(28,823)	(1)
6000	Total operating expenses		(1,032,704)	(18)	(1,071,849)	(24)
6900	Operating income(loss)		269,315	5	(386,034)	(9)
	Non-operating income and expenses					
7100	Interest incomes	6 (21)	8,161	-	11,988	-
7010	Other incomes	6 (22)	15,037	-	34,830	1
7020	Other gains and loss	6 (23)	(62,773)	(1)	(244,845)	(5)
7050	Financial costs	6 (24)	(64,751)	(1)	(78,367)	(2)
7000	Total non-operating incomes and expenses		(104,326)	(2)	(276,394)	(6)
7900	**Income (loss) before tax**		164,989	3	(662,428)	(15)
7950	Tax (expenses) gains	6 (27)	(29,044)	(1)	1,658	-
8000	**Net income (loss) for the period from continuing operations**		135,945	2	(660,770)	(15)
8100	Discontinued department loss	6 (6)	(24,468)	-	(8,793)	-
8200	**Net income (loss)**		$ 111,477	2	($ 669,563)	(15)

(Continued)

FEDERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

(In Thousands of New Taiwan Dollars)
(Except Earnings per Share (loss) in NT$)

	Item	Note	2020 Amount	2020 %	2019 Amount	2019 %
	Other comprehensive income(net)					
	Items that are not reclassified to profit or loss					
8311	Re-measurement on defined benefit plans	6 (16)	($ 20,541)	-	($ 9,661)	-
8316	Unrealized gains or losses on investments in equity instruments measured at fair value through other comprehensive income or loss	6 (3)	124,373	2	11,951	-
8310	Total items not reclassified to profit or loss		103,832	2	2,290	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of financial statements of foreign operating institutions		8,326	-	(52,290)	(1)
8300	**Other comprehensive income(net)**		$ 112,158	2	($ 50,000)	(1)
8500	**Total comprehensive income**		$ 223,635	4	($ 719,563)	(16)
	Net income (loss) attributable to：					
8610	Parent company owner		$ 111,477	2	($ 669,563)	(15)
	Total comprehensive income attributable to：					
8710	Parent company owner		$ 223,635	4	($ 719,563)	(16)
	Earnings per share (loss)	6 (28)				
9710	Continued Operating segment net income (net loss)		$ 0.30		($ 1.44)	
9720	Discontinued Operating segment net loss		(0.06)		(0.02)	
9750	Basic Earnings per share(loss) Total		$ 0.24		($ 1.46)	
9810	Continuing Operating segment net income (net loss)		$ 0.30		($ 1.44)	
9820	Discontinued Operating segment net loss		(0.06)		(0.02)	
9850	Diluted Earnings per share (loss) Total		$ 0.24		($ 1.46)	

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements..

Chairman：Shu-Jam Ma　　President：Chong-yi Chen　　Accounting Manager：Xin-Yu Lee

FEDERAL CORPORATION AND SUBSIDAIRIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in thousands of New Taiwan dollars

	Note	Interests attributable to parent company owner								Total Equity
				Retained earnings			Other equity			
		Share capital-common stock	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated deficit) Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive Income	Treasury Stocks	
2019										
January 1, 2019 Balance		$ 4,733,292	$ 145,746	$ 732,944	$ 1,911,517	$ 618,996	($ 168,802)	$ 237,677	($ 183,035)	$ 8,028,335
net loss		-	-	-	-	(669,563)	-	-	-	(669,563)
Other comprehensive income		-	-	-	-	(9,661)	(52,290)	11,951	-	(50,000)
Total comprehensive income		-	-	-	-	(679,224)	(52,290)	11,951	-	(719,563)
Results from gift receiving	6 (18)	-	11,018	-	-	-	-	-	-	11,018
December 31, 2019 Balance		$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	($ 60,228)	($ 221,092)	$ 249,628	($ 183,035)	$ 7,319,790
2020										
January 1, 2020 Balance		$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	($ 60,228)	($ 221,092)	$ 249,628	($ 183,035)	$ 7,319,790
Net Income		-	-	-	-	111,477	-	-	-	111,477
Other comprehensive income		-	-	-	-	(20,541)	8,326	124,373	-	112,158
Total comprehensive income		-	-	-	-	90,936	8,326	124,373	-	223,635
December 31, 2020 Balance		$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	$ 30,708	($ 212,766)	$ 374,001	($ 183,035)	$ 7,543,425

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements..

Chairman：Shu-Jam Ma　　President：Chong-yi Chen　　Accounting Manager：Xin-Yu Lee

FEDERAL CORPORATION AND SUBSIDAIRIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in thousands of New Taiwan dollars

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Continued Operating segment Income (loss) before tax		$ 164,989	($ 662,428)
Discontinued Operating segment net loss before tax		(22,106)	(4,946)
Income (loss) before tax		142,883	(667,374)
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net Gain (loss) on valuation of finance assets and liabilities at fair value through profit or loss	6 (2) (22)	(1,290)	1,802
Expected credit losses	12 (2)	(11,985)	28,823
Depreciation on Property, Plant and Equipment	6 (7)(25)	425,848	474,935
Depreciation on Right-of-use Assets	6 (8)(25)	18,713	20,243
Amortization expense on Intangible Assets	6 (11) (25)	8,130	10,223
Amortization expense on Other Non Current Assets	6 (25)	77,134	129,048
Investment property at fair value adjustment(gains)loss	6 (10)(23)	(5,479)	8,726
Disposal (gains) loss of Property, Plant and Equipment	6 (23)	(665)	4,813
Interest income	6 (21)	(8,180)	(12,029)
Dividend income	6 (22)	(6,324)	(6,324)
Non Financial Assets Impairment loss	6 (9)(23)	-	213,847
Interest expense	6 (24)	64,779	78,413
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial Assets at fair value through profit or loss -Current		1,915	(2,406)
Notes Receivable		8,141	122,128
Accounts Receivable		(126,934)	71,382
Other receivables		(2,364)	7,088
Inventories		(99,042)	(46,663)
Prepayments		(29,136)	49,000
Other Current Assets		-	965
Net change in liabilities related to operating activities			
Contract Liabilities-Current		10,988	5,176
Notes Payable		(12,251)	23,691
Accounts Payable		48,507	64,671
Other Payable		192,125	23,433
Other Current Liabilities-Other		(31,496)	(10,950)
Net defined benefit Liabilities-Non Current		(22,936)	(46,793)
Cash flow from operating		641,081	545,868
Interest received		8,182	12,032
Dividends received		6,324	6,324
Income tax paid		4,028	(18,906)
Interest Paid		(65,637)	(78,274)
Net cash flow from operating activities		593,978	467,044

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FEDERAL CORPORATION AND SUBSIDAIRIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in thousands of New Taiwan dollars

	Note	2020	2019
Investment activities cash flows			
Increase in financial assets measured at amortized cost		($ 103,664)	($ 6,509)
Acquisition of financial assets at fair value through profit or loss		(45,000)	-
Acquisition of Property, Plant and Equipment	6 (29)	(282,947)	(244,987)
Proceeds of Property, Plant and Equipment disposal		705	1,839
Increase in Refundable Deposits		(6,013)	(3,527)
Decrease in Refundable Deposits		6,204	10,692
Other noncurrent assets – increase in others		(127,845)	(17,536)
Net Cash outflow from investment activities		(558,560)	(260,028)
Cash flows from financing activities			
Increase in short-term borrowings	6 (30)	410,435	65,201
Proceeds from Long-term Loans		115,969	-
Repayments from Long-term Loans		(188,833)	(62,702)
Deposits received increase		183	991
Deposits received decrease		(36)	(1,954)
Repayments of Lease principal	6 (30)	(18,094)	(19,646)
Results of receiving a gift	6 (18)	-	11,018
Net cash flow (out) from Financing Activities		319,624	(7,092)
Exchange differences		3,203	(6,743)
Increase in cash and cash equivalents		358,245	193,181
Beginning cash and cash equivalents balance		1,325,434	1,132,253
Ending cash and cash equivalents balance		$ 1,683,679	$ 1,325,434
Cash and cash equivalents consist of			
Cash and cash equivalents in the balance sheet		$ 1,681,441	$ 1,319,655
Cash and cash equivalents of assets (or disposal groups) classified as held for sale (non-current)		2,238	5,779
Cash and cash equivalents at end of year		$ 1,683,679	$ 1,325,434

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements..

Chairman：Shu-Jam Ma President：Chong-yi Chen Accounting Manager：Xin-Yu Lee

FEDERAL CORPORATION AND SUBSIDAIRIES
CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES
THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Expressed in thousands of NTD
(Except as otherwise noted)

1. HISTORY AND ORGANIZATION

Federal Corporation (hereinafter "the Company") was established in November 1955 and renamed from its former name Tayfeng Rubber Industries Co., Ltd in October 1964. The Company's shares have been listed and traded on the Taiwan Stock Exchange since July 1979. The Company and its subsidiaries (hereinafter "the Group") are mainly engaged in the manufacturing and sale of automobile tires and rubber.

2. DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on 26 March 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Board Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material' January	January 1, 2020
2020Amendments to IFRS 3, 'Definition of a business' January	January 1, 2020
2020Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmarkreform' January	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows.

Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, January 1, 2021 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows.

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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 International Accounting
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37. "onerous contracts – cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting polices applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
   (1) Financial Assets and Liabilities at fair value through profit or loss (including derivative instruments).
   (2) Financial assets at fair value through profit or loss.
   (3) Financial assets at fair value through other comprehensive income.
   (4) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligations.
2. The preparation of financial statements, in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements is as follows:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. The subsidiaries included in the consolidated financial statements are as follows:

Name of investors	Name of subsidiary	Main business activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
The Company	FEDEREX MARKETING CO., LTD. (Federex)	Sales of various vehicle tire rims and parts	100%	100%	
The Company	Tai Xin Construction Co., Ltd. (Tai Xin)	Commissioning of residential buildings and rental and sales businesses	100%	100%	
The Company	Tai Cheng Development Co., Ltd. (Tai Cheng)	Commissioning of residential buildings and rental and sales businesses	100%	100%	
The Company	Highpoint Trading Ltd. (HTL)	Sales of various types of vehicle tires	-	100%	Note 1
The Company	Federal International Holding. Inc. (FIH)	General Investment	100%	100%	
FIH	Amberg Investments Pte. Ltd. (Amberg)	General Investment	100%	100%	

Name of investors	Name of subsidiary	Main business activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
FIH	Chialilai Development Ltd.	Commercial buildings leasing businesses	100%	100%	
Amberg	Federal Tire (Jiangxi) Ltd. (Jiangxi Federal)	Manufacturing and sale of various tires and rubber products	100%	100%	
FIH	Federal Tire North America LLC.(FTNA)	Distribution of tires	100%	100%	
FIH	Winberg Investments Pte. Ltd.(Winberg)	General Investment	100%	100%	Note 3
Winberg	Federal Tires (Shanghai) Limited (Shanghai Federal)	Sales of various vehicle tire rims and parts	-	100%	Note 2

Note 1: HTL was liquidated on December 26, 2019 by resolution of the Board of Directors (acting as the shareholders' meeting) and has been in liquidation since May 2020, completing the liquidation process on October 19, 2020.

Note 2: Shanghai Federal was liquidated on September 30, 2019 by resolution of the board of directors (acting as the shareholders' meeting), and the liquidation process will be completed on May 28, 2020.

Note 3: Winberg was liquidated by resolution of the board of directors (acting as the shareholders' meeting) on December 31, 2020, and the liquidation has not been completed as of March 26, 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the subsidiaries, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within 12 months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the balance sheet date.

The Group classifies all assets that do not meet the above criteria as non-current.

B. Liabilities are classified as current liabilities when one of the following conditions is met.

(a) The liability is expected to be settled in the normal course of business.

(b) Held primarily for trading purposes.

(c) They are expected to be settled within 12 months after the balance sheet date.

(d) The maturity date cannot be unconditionally extended to at least twelve months after the balance sheet date. The terms of the liabilities that may be settled by issuing equity instruments at the option of the counter-parties do not affect the classification.

The Group classifies all liabilities that do not meet the above criteria as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations (including time deposits with contract period less than 12 months) are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

1. A financial asset is one that also meets the following criteria.

(1) The financial asset is held under an operating model whose objective is to collect the contractual cash flows.

(2) The contractual terms of the financial asset generate cash flows at a specific date, solely for the purpose of paying interest on the principal and outstanding principal amount.

2. The Group uses trade date accounting for financial assets measured at amortized cost in accordance with trading practice.

3. The Group measures financial assets at fair value plus transaction costs on initial recognition, and subsequently recognizes interest income and impairment losses over the liquidity period using the effective interest method under the amortization procedure, and recognizes the gains or losses in profit or loss when they are derecognized.

4. Time deposits held by the Group that do not meet the cash equivalents are measured at the investment amount because of the short holding period and the effect of discounting is not significant.

(9)Financial assets at fair value through other comprehensive income or loss

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(10)Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11)Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of Financial Assets

Financial assets are derecognized when the Group's contractual rights to receive cash flows from the financial assets lapse.

(13) Inventories

Inventories are measured at the lower of cost or net realizable value and are inventoried on a perpetual basis, with cost determined by the weighted-average method. The cost of finished goods and work-in-process includes raw materials, direct labor, other direct costs and production-related manufacturing costs, but excludes borrowing costs. The lower of cost or net realizable value is determined on a line-by-line basis. Net realizable value is the estimated selling price in the ordinary course of business, less related variable selling expenses.

(14) Pending sale of Non Current Assets (or disposal groups)

When the carrying amount of a noncurrent asset (or disposal group) is recovered principally through a sale transaction rather than through continued use, and it is highly probable that the asset will be sold, it is classified as an asset held for sale and is measured at the lower of its carrying amount or fair value less costs to sell.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are audited, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change. The estimated useful lives of property, plant and equipment are as follows: Buildings: 5～50 years, Machinery equipment: 2~25 years, Operating Equipment: 2~13 years and other equipment: 2-13 years.

(16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the discounted interest rate of the Group's incremental borrowings on the lease commencement date. The lease payments include fixed payments, minus any lease incentives that can be received.

Subsequent use of the interest method is measured by the amortized cost method, and interest expenses are provided during the lease period. When the lease term or lease payment changes due to non-contract modification, the lease liability will be reassessed and the right-of-use asset will be re-measured.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability. and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the fair value model. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss in the period in which they occur.

(18) Intangible Assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 5 years.

(19) Impairment of Non Financial Assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

The Group derecognizes financial liabilities upon the performance, cancellation or maturity of the obligations contained in the contracts.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share Capital

1. The incremental costs directly attributable to the issuance of new shares or stock options are recorded as a deduction from Equity, net of income taxes.
2. When the Company repurchases outstanding shares, the consideration paid includes any incremental costs directly attributable to the issuance of new shares or stock options and is recognized as a deduction from Equity, net of income taxes. Upon subsequent issuance of repurchased shares, the difference between the consideration received and the carrying amount, net of any directly attributable incremental costs and income tax effects, is recognized as an adjustment to stockholders' equity.

(26) Dividends distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the Company's stockholders resolve to distribute the dividends. Cash dividends are recognized as Liabilities and stock dividends are recognized as stock dividends to be distributed and are reclassified to common stock on the basis date of issuance of new shares.

(27) Revenue recognition

Sales of goods

1. The Company manufactures and sells tire-related products, and sales revenue is recognized when control of the products is transferred to the customer, i.e., when the products are delivered to the customer, the customer has discretion over the access and price of the products sold, and the Company has no outstanding performance obligations that may affect the acceptance of the products by the wholesaler. Delivery of merchandise occurs when the product is delivered to the designated location, the risk of obsolescence and loss has been transferred to the wholesaler, and the customer accepts the product in accordance with the sales contract or when there is objective evidence that all acceptance criteria have been met.

2. Sales revenue is recognized at the contract price less estimated sales tax, sales returns, volume discounts and discounts. Revenue is recognized to the extent that it is highly probable that there will be no material reversal in the future and is updated on each balance sheet date. Discounts on sales related to estimated sales payable to customers as of the balance sheet date are recognized as a refund liability. The collection terms of sales transactions are usually due 45 to 120 days after the shipment date. The Company does not adjust the transaction price to reflect the time value of money because the time lag between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year.
3. The Company provides a standard warranty on the products sold and has a refund obligation for product defects, for which a liability provision is recognized at the time of sale.
4. Accounts receivable are recognized when the goods are delivered to the customer because the Company has an unconditional right to the contract price from that point onward and only requires time to collect the consideration from the customer.

(28) Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the government grant is recognized in profit or loss on a systematic basis in the period in which the related expenses are incurred.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year. There are no instances of uncertainty in the Group's significant accounting judgments. Please refer to the following description of the uncertainty of significant accounting estimates and assumptions.

Critical accounting assumptions and estimates

1. Valuation of Accounts Receivable

   As the Group's accounts receivable are estimated to be doubtful based on historical experience and other known reasons or objective evidence of doubtful accounts, the assessment of accounts receivable may not result in the collection of the current deductions recorded as accounts receivable. This allowance for doubtful accounts is based on the probability of future collection and is therefore subject to significant change.

   As of December 31, 2010, the carrying amount of the Group's accounts receivable was $1,155,058.

2. Evaluation of inventory

As inventories are to be denominated at a low cost and net realizable value, the Group must use judgment and estimation to determine the net realized value of the balance sheet's daily inventory. As a result of rapid technological changes, the Group assesses the amount of balance sheet daily inventory due to normal wear and tear, obsolete or marketable sales value and dilutes inventory costs to a net realized value. This inventory evaluation is based primarily on estimates of product demand for a specific period in the future and may result in significant changes.

As at 31 December 2020, the book value of the Group's inventory was $957,573.

6.DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 1,675	$ 49,524
Checking accounts and demand deposits	705,206	1,028,289
Time deposits	378,184	204,864
Cash equivalents- Repurchase Notes	596,376	36,978
Total	$ 1,681,441	$ 1,319,655

1. The credit quality of the financial institutions dealing with the Group is good, and the Group interacts with a number of financial institutions to spread credit risk, the probability of default is very low.
2. On December 31, 2020 and 2019, the Group classified deposits of more than 3 months or more into financial assets at amortized costs current $167,221 and $62,568, respectively, of which the provision of security as a pledge is provided in Note 8.

(2) Financial assets at fair value through profit or loss

Item	December 31, 2020	December 31, 2019
Current Item：		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 45,000	$ -
Forward Exchange	-	663
	45,000	663
Valuation adjustment	38	-
Total	$ 45,038	$ 663

1. The Group recognized net profit of $1,290 and ($1,802) in relation to financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, respectively.
2. Information on the nature of transactions and contracts of non-hedging derivative financial instruments is described as follows:

	December 31, 2020	
Financial Product	Notional principal	Expiry Date
Presale Forward Exchange Contract	USD -	-

Financial Product	December 31, 2019 Notional principal	Notional principal
Presale Forward Exchange Contract	USD 1,500	2020/1/6~2020/1/15

The forward foreign exchange transactions signed by the Group are pre-sale (selling US dollars to buy Taiwan dollars) and are to avoid the exchange rate risk of import and export prices, but no risk-averse accounting is applicable.

3. The Group has not pledged financial assets measured at fair value through profit or loss.
4. The risks associated with financial assets measured at fair value through profit and loss should be described in Note 12 (2).

(3)Financial assets at fair value through other comprehensive income or loss

Item	December 31, 2020		December 31, 2019	
Non Current Item：				
Equity Instrument				
Unlisted, OTC, and Emerging stocks	$	17,449	$	17,449
Valuation adjustment		374,001		249,628
Total	$	391,450	$	267,077

1. The breakdown of the recognized profits and losses and consolidated profits and losses of financial assets at fair value through other comprehensive profits and losses is as follows:

	2020		2019	
Equity instruments at fair value through other comprehensive income				
Fair value change recognized in other comprehensive income	$	124,373	$	11,951
Dividend income recognized in profit or loss	$	6,324	$	6,324

2. The Group has not pledged financial assets measured at fair value through other comprehensive income or loss as collateral.
3. Please refer to Note 12(2) for information on the credit risk of financial assets at fair value through other comprehensive income or loss.

(4)Notes and accounts receivable

	December 31, 2020		December 31, 2019	
Notes Receivable	$	31,380	$	39,516
Accounts Receivable	$	1,272,750	$	1,004,738
Less: Allowance for loss	(	117,692)	(	129,667)
	$	1,155,058	$	875,071

1. The ageing analysis of accounts receivable that were past due but not impaired is as follows.

	December 31, 2020	December 31, 2019
Not past due	$ 1,045,825	$ 769,928
Up to 30 days	92,110	50,101
31 to 90 days	6,079	3,781
91 to 180 days	2,974	16,389
181 to 365 days	-	67,414
Over 365 days	125,762	97,125
	$ 1,272,750	$ 1,004,738

The above aging analysis was based on past due date.

2. As at 31 December 2020 and 2019, the Group's notes receivable are not overdue.
3. The balance of accounts receivable and notes receivable as at 31 December 2020 and December 31, 2019 are generated by the Customer Contract, and the balance of accounts receivable and notes receivable under the Client Contract as at 1 January 2019 is $1,256,426.
4. As at 2020 and 31 December 2019, the Group's holdings of collateral as security for accounts receivable were real estate and term deposits in the amounts of $48,926 and $97,765, respectively.
5. As at December 31, 2020, and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $31,380 and $39,516 respectively; the amounts most likely to represent the Group's accounts receivable at 31 December 2020 and 31 December 2019 are $1,155,058and $875,071, respectively.
6. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

1.Details of inventory are as follows.

	December 31, 2020	December 31, 2019
Raw Materials	$ 168,853	$ 202,318
Materials	120,845	106,214
Work in process	93,885	92,010
Finished Products	527,781	587,064
Merchandise Inventories	26,065	40,629
In-transit inventories	59,981	62,023
	997,410	1,090,258
Less: Allowance for reduction of inventory to market	(39,837)	(52,003)
Total	$ 957,573	$ 1,038,255

(1) Merchandise inventories represent the inventories of Federex and Jiangxi Federal.

(2) Inventories in transit are the Group's raw materials in transit.

2. The cost of inventories recognized as expense for the year:

	2020	2019
Cost of goods sold	$ 4,414,892	$ 3,882,293
(Gain on reversal) of inventories	(12,166)	(29,138)
Other	(82)	2,032
	$ 4,402,644	$ 3,855,187

(1) The Group had a reversal benefit from the sale of inventories that were previously recorded as impairment loss and slow-moving inventory.

(2) Other inventory-related gains and losses represent the proceeds from the sale of downgraded inventory, inventory gains and losses, and inventory obsolescence.

(6)Pending Sale of Non Current Assets and discontinued operating segment

1. Pending sale of non Current Assets to be sold

On 22 March 2019, the Board of Directors of Jiangxi Federal resolved that, in view of the loss-making status of Jiangxi Federal and the loss of its cost advantage, the Group intends to sell the relevant equipment of the production division and reclassify the relevant assets as non-current assets held for sale in the best interest of the Group. The non-current assets held for sale belong to the business unit in Asia.

Assets of disposal groups pending sale：

	December 31, 2020		December 31, 2019	
Property, Plant and Equipment – Machinery Equipment				
Costs	$	2,436,583	$	2,395,107
Accumulated depreciation and Impairment	(	2,267,578)	(	2,228,978)
Total	$	169,005	$	166,129

The non-current asset held for sale was premeasured at the lower of its carrying amount or fair value less costs to sell and was not impaired in 2020. An impairment loss of $203,741 was recorded under other gains and losses after re-measurement in 2019.

2. Discontinued Operating segment

The Group disposed of its entire equity interest in Tai Xin, a subsidiary of the Company, on 13 November 2019 by resolution of the Board of Directors of the Company, and the assets and liabilities related to Tai Xin have been transferred to the disposal group for sale and expressed as a discontinued unit by meeting the definition of a discontinued unit.

(1)Cash flow information on discontinued Operating segment as flows:

	2020		2019	
Cash flows from operating activities	($	3,755)	$	4,772
Cash flow from financing activities		214	(	2,614)
Total cash flow	($	3,541)	$	2,158

(2) Assets of disposal groups classified as held for sale:

	December 31, 2020		December 31, 2019	
Cash	$	2,238	$	5,779
Tax Assets		1		12
Prepayments		-		29
Property, Plant and Equipment		513,946		513,946

Right-of-use Assets	1,172	2,344
Deferred tax assets	8,318	10,675
Refundable Deposits	200	200
Total	$ 525,875	$ 532,985

(3) Liabilities of disposal groups classified as held for sale

	December 31, 2020	December 31, 2019
Other Payables	$ 306	$ 161
Lease Liabilities-Current	1,190	1,172
Deferred tax Liabilities	62,114	62,114
Lease Liabilities-Non Current	-	1,190
Other Current Liabilities	5	-
Total	$ 63,615	$ 64,637

(4) Analyses of the operating results of the discontinued units and the remeasurement results of the groups to be disposed of were as follows:

	2020	2019
Operating expenses	($ 22,097)	($ 21,908)
Total non-operating incomes and expenses	(9)	16,962
Discontinued Operating segment net (loss) income before tax	(22,106)	(4,946)
Income tax expense	(2,362)	(3,847)
Discontinued Operating segment net (loss) income after tax	($ 24,468)	($ 8,793)

(5) Income from continuing and discontinued operations attributable to owners of the parent company: Please refer to Note 6(28).

(7)Property, Plant and Equipment

	Land	Buildings	Machinery equipment	Operating equipment	Other	Under construction	Total
At January 1, 2020							
cost	$ 3,424,491	$ 1,893,115	$ 6,166,929	$ 324,850	$ 1,670,481	$ 204,527	$ 13,684,393
Accumulated depreciation and impairment	-	(443,418)	(2,855,928)	(215,501)	(1,404,358)	-	(4,919,205)
	$ 3,424,491	$ 1,449,697	$ 3,311,001	$ 109,349	$ 266,123	$ 204,527	$ 8,765,188
At January 1, 2020	$ 3,424,491	$ 1,449,697	$ 3,311,001	$ 109,349	$ 266,123	$ 204,527	$ 8,765,188
Additions	-	-	9,093	4,332	150,628	195,302	359,355
Disposals	-	-	-	(40)	-	-	(40)
Transfer	13,431	11,347	175,326	10,220	5,326	(224,924)	(9,274)
Depreciation	-	(39,277)	(258,350)	(25,582)	(102,639)	-	(425,848)
Net exchange differences	(1,996)	1,263	-	18	163	(1,211)	(1,763)
December 31	$ 3,435,926	$ 1,423,030	$ 3,237,070	$ 98,297	$ 319,601	$ 173,694	$ 8,687,618
At December 31, 2020							
Cost	$ 3,435,926	$ 1,909,086	$ 6,327,520	$ 316,179	$ 1,819,840	$ 173,694	$ 13,982,245
Accumulated depreciation and impairment	-	(486,056)	(3,090,450)	(217,882)	(1,500,239)	-	(5,294,627)
	$ 3,435,926	$ 1,423,030	$ 3,237,070	$ 98,297	$ 319,601	$ 173,694	$ 8,687,618

	Land	Land improvements	Buildings	Machinery Equipment	Operating Equipment	Other	Under construction	Total
January 1, 2019								
Cost	$ 3,696,868	$ 227,989	$ 1,877,489	$ 8,539,360	$ 257,987	$ 1,565,969	$ 551,296	$ 16,716,958
Accumulated depreciation and impairment	-	-	(404,226)	(4,857,528)	(204,116)	(1,321,173)	-	(6,787,043)
	$ 3,696,868	$ 227,989	$ 1,473,263	$ 3,681,832	$ 53,871	$ 244,796	$ 551,296	$ 9,929,915
2019								
January 1,	$ 3,696,868	$ 227,989	$ 1,473,263	$ 3,681,832	$ 53,871	$ 244,796	$ 551,296	$ 9,929,915
Additions	14,211	-	15,429	-	-	288	220,322	250,250
Disposals	-	-	-	(6,412)	(213)	(27)	-	(6,652)
Transfer	-	-	16,348	325,713	78,048	123,138	(567,091)	(23,844)
Depreciation	-	-	(47,739)	(313,317)	(21,336)	(92,543)	-	(474,935)
Transfer to non-current assets held for sale	(285,957)	(227,989)	-	(360,395)	-	-	-	(874,341)
Impairment loss	-	-	-	-	(976)	(9,130)	-	(10,106)
Net exchange differences	(631)	-	(7,604)	(16,420)	(45)	(399)	-	(25,099)
December 31	$ 3,424,491	$ -	$ 1,449,697	$ 3,311,001	$ 109,349	$ 266,123	$ 204,527	$ 8,765,188
At December 31, 2019								
Cost	$ 3,424,491	$ -	$ 1,893,115	$ 6,166,929	$ 324,850	$ 1,670,481	$ 204,527	$ 13,684,393
Accumulated depreciation and impairment	-	-	(443,418)	(2,855,928)	(215,501)	(1,404,358)	-	(4,919,205)
	$ 3,424,491	$ -	$ 1,449,697	$ 3,311,001	$ 109,349	$ 266,123	$ 204,527	$ 8,765,188

1. The amount of property, plant and equipment borrowing costs capitalization and the interest rate range.

	2020	2019
Capitalization amount	$ -	$ 855
Capitalized interest rate range	-	1.43%~1.71%

2. For information on guarantees provided by property, plant and equipment, please refer to Note 8.

(8) Leasing arrangements－lessee

1. The subject assets of the Group's leases include land, buildings and buses, and the lease agreements are usually for periods ranging from 1 to 50 years. The leases are negotiated on an individual basis and contain various terms and conditions, with no restrictions except that the leased assets cannot be used as collateral for loans.
2. Some of the buildings and business vehicles leased by the Group do not exceed 12 months, and the subject assets leased are office equipment with low value and are not recognized as right-of-use assets.
3. The carrying value of the right-of-use assets and the depreciation expense recognized were as follows.

	December 31, 2020	December 31, 2019
	Book Amount	Book Amount
Land Use Rights	$ 22,587	$ 23,055
Buildings	13,601	22,862
Transportation Equipment(Office Vehicle)	7,862	10,389
	$ 44,050	$ 56,306

	2020	2019
	Depreciation	Depreciation
Land Use Rights	$ 851	$ 889
Buildings	11,959	13,853
Transportation Equipment(Office Vehicle)	5,903	5,501
	$ 18,713	$ 20,243
Less: Depreciation expense for discontinued operations	(1,172)	(1,172)
Total	$ 17,541	$ 19,071

4. On 21 May 2002, the Group entered into a contract with the Jiangxi Provincial Government of the People's Republic of China for the fixed land use right in Nanchang City, Jiangxi Province for a term of 50 years, which was fully paid at the time of signing the lease.
5. The additions to the Group's right-of-use assets for 2020 and 2019 are $11,025 and $6,285.

6. The information on income and expense accounts relating to lease contracts is as follows:

	2020	2019
Items affecting profit or loss		
Interest expense of lease liabilities	$ 425	$ 680
Expense for short-term lease contract	2,872	6,217
Expense for low-value lease assets	1,246	1,051
Sub total	$ 4,543	$ 7,948
Less: Expense for discontinued Operating segment	(34)	(48)
	$ 4,509	$ 7,900

7. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases was $22,203 and $26,906, respectively.

(9) Impairment of non-financial assets

1. The Group recognized reversal of impairment loss for the years ended December 31, 2020 and 2019 was $0 and $213,847, respectively. Details of such gain are as follows:

	2020	2019
	Recognized in profit or loss	Recognized in profit or loss
Impairment loss－Pending sale of Non Current Assets	$ -	$ 203,741
Impairment loss－Machinery Equipment	-	-
Impairment loss－Operating Equipment	-	976
Impairment loss－Other Equipment	-	9,130
	$ -	$ 213,847

(1) In 2020, Federal Tire (Jiangxi) Ltd.(Jiangxi Federal) reassessed the machinery and equipment that had been reclassified as non-current assets held for sale. Although the progress of disposal was not as expected due to the weak market demand, no impairment loss was recognized for the non-current assets held for sale that were reassessed by experts commissioned by Jiangxi Federal.

(2) In 2019, Federal Tire (Jiangxi) Ltd.(Jiangxi Federal) transformed into a sales and logistics center and transferred the original production machinery and equipment to non-current assets held for sale. However, due to the weak market demand, the progress of disposal was not as expected, therefore, the non-current assets held for sale of Jiangxi Federal showed signs of impairment and an impairment loss of $213,847 was recognized.

The recoverable amount was obtained from the appraisal report that determined the value of the property, plant and equipment after considering the physical, functional and economic depreciation rates of each asset based on the cost valuation method with reference to the general market practice of buying and selling of machinery and equipment and the receivership, service life and depreciation of machinery and equipment.

3. A breakdown of the above impairments by segment is disclosed below:

	2020		2019	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
Asia region	$ -	$ -	$ 213,847	$ -

(10) Investment Property

	2020	2019
At January 1	$ 60,323	$ 70,094
Adjusted gains (loss) at fair value	5,479	(8,726)
Net exchange differences	(2,964)	(1,045)
December 31	$ 62,838	$ 60,323

1. The fair values of the Group's investment properties held in Xuhui District, Shanghai, People's Republic of China, amounting to $62,838 and $60,323 as of December 31, 2020 and 2019, respectively, are based on the valuation by independent valuation experts, which is based on the income approach and is a Level 3 fair value with the following key assumptions.

(1) The Group used the discounted cash flow analysis method of the income approach. The valuation method was used to determine the annual rental growth rate with reference to local rents and comparable rental information of the subject property, and to estimate the rental income for the next ten years as future cash inflows after considering vacancy losses, and discounted to the valuation date, and the discount rate was determined as described in (2). The discount rate was determined as described in (2). In addition, the closing disposal value of the subject property was calculated by discounting the operating income of the subject property for the coming year to the valuation date after deducting the expenses under normal operating conditions, and the closing disposal value plus the discounted rental income of the aforementioned periods is the market value. Future cash outflows are related to taxes, insurance premiums, management fees, and maintenance fees that are directly related to the lease. The rate of change used for future changes in status is consistent with the rental growth rate and discount rate used to calculate rental income.

(2) The discount rate was determined based on the interest rate of the two-year postal time deposit plus three cents, taking into consideration the risk reward borne by the Group, and the liquidity, risk, value-added and ease of management of the subject property, and the discount rate was estimated to be 2.75% and 1.90% as of December 31, 2020 and 2019, respectively.

(3) The main use of the investment properties is office or residential, and the monthly rent of the local and similar subjects will be $372~$488 per square meter in 2020 and $402~$447 per square meter in 2019, respectively.

(4) The Group's investment properties were not leased and did not generate any income or expense in 2020 and 2019.

(5) The fair values of the Group's investment properties as of December 31, 2020 and 2019 are based on the appraisal reports issued by Yang Chang-da, appraiser of Cushman & Wakefield property service, and Wang Jun-xiong, appraiser of Guan- Hong Property Appraisal Company, with appraisal dates of December 31, 2020 and December 30, 2019, respectively.

2. Please refer to Note 12(3) for the fair value of investment properties.

3. As of December 31, 2020 and 2019, the Group's investment properties are not pledged.

(11) Intangible Assets

Computer software	2020	2019
At January 1		
Cost	$ 106,653	$ 104,074
Accumulated amortization and impairment	(87,992)	(77,769)
	$ 18,661	$ 26,305
At January 1	$ 18,661	$ 26,305
Transfer	-	2,579
Amortization expense	(8,130)	(10,223)
December 31	$ 10,531	$ 18,661
December 31		
Cost	$ 106,653	$ 106,653
Accumulated amortization and impairment	(96,122)	(87,992)
	$ 10,531	$ 18,661

1.Intangible Assets amortization details as follows:

	2020	2019
Administration expenses	$ 8,130	$ 10,223

2. The Group has not provided guarantees with intangible assets.

(12)Other Non Current Assets

	December 31, 2020	December 31, 2019
Prepayment for Equipment	$ 123,992	$ 22,295
Unamortization expense	46,757	84,185
Other assets-Other	2,506	2,505
	$ 173,255	$ 108,985

(13)Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Type of borrowings	December 31, 2019	Interest rate range
Bank credit loan	$ 360,464	0.90%~0.99%	Bank credit loan	$ 44,970	3.74%
Bank loans for material purchases	567,046	0.70%~1.85%	Bank loans for material purchases	472,105	1.85%~3.41%
	$ 927,510			$ 517,075	

(14)Other Payables

	December 31, 2020	December 31, 2019
Equipment payable	$ 145,996	$ 69,588
Transportation payable	194,188	92,020
Salaries payable	91,872	81,152

Bonus payable	61,415	28,803
Other	202,670	157,300
	$ 696,141	$ 428,863

Other payables - other is a summary of other payables with a single account balance not exceeding 5% of the account balance.

(15)Long-term Loans

Type of borrowings	December 31, 2020	December 31, 2019
Bank Guaranteed Loans		
Plant construction and purchase of equipment	$ 4,102,864	$ 4,175,728
Less: Long-term loans due within one year or one business cycle	(297,593)	(123,810)
	$ 3,805,271	$ 4,051,918
Borrowing interest rate	1.12%~1.52%	1.43%~1.71%

1. In January 2018, the Group re-signed a long-term loan contract with Hua Nan Bank for a term of 20 years with a total credit amount of $3,250,000 and borrowed $3,250,000 to repay all the long-term loans listed in the account, with the outstanding amount of $3,250,000 as of December 31, 2020 and 2019; and repay the principal by installments as agreed. The principal is repayable by installments.

   In June 2010, the Group entered into a long-term incremental loan contract with a total credit amount of $2,541,000 and borrowing amount of $115,969 with Hua Nan Commercial Bank for a term of 10 years. As of December 31, 2020, the outstanding amount is $115,969; the principal is repayable by installments.
2. In May 2018, the Group entered into a long-term loan contract with Wing Fung Bank for a term of 7 years with a total credit amount of $400,000, with outstanding amounts of $257,118 and $314,284 as of December 31, 2020 and 2019, respectively; the principal amount is repayable by installments as agreed.
3. In May 2018, the Group entered into a long-term loan contract with Shin Kong Bank for a term of 7 years with a total credit amount of $300,000, with outstanding amounts of $152,000 and $217,000 as of December 31, 2020 and 2019, respectively; the principal amount is repayable by installments as agreed.
4. In October 2018, the Group entered into a long-term loan contract with Chang Hwa Bank for a term of 7 years with a total credit amount of $400,000, with outstanding amounts of $327,777 and $394,444 as of December 31, 2020 and 2019, respectively; and the principal is repayable by installments as agreed.
5. Please refer to Note 8 for the guarantee of the above long-term loans.

(16)Pensions

1. Defined benefit plan

(1)The Company and its domestic subsidiaries operate a defined benefit pension plan, in accordance with the Labor Standards Law, which covers all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 10% and 4% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make a lump-sum withdrawal of the difference before the end of March of the following year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($ 299,014)	($ 283,012)
Fair value of plan assets	152,234	133,837
Net defined benefit liability	($ 146,780)	($ 149,175)

(3) Movements in net defined benefit liabilities are as follows

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance			
At January 1 2020	($ 283,013)	$ 133,838	($ 149,175)
Current service cost	(4,466)	-	(4,466)
Interest (expense) income	(1,966)	980	(986)
Past service cost	-	-	-
	(289,445)	134,818	(154,627)
Remeasurements:			
Return on plan assets (not including the amount included in interestincome or expense)	-	4,459	4,459
Change in demographic assumptions	(70)	-	(70)
Change in financial assumptions	(12,280)	-	(12,280)
Experience adjustments	(12,650)	-	(12,650)
	(25,000)	4,459	(20,541)
Pension fund contribution	-	28,388	28,388
Paid pension	15,431	(15,431)	-
Balance at December 31	($ 299,014)	$ 152,234	($ 146,780)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2019			
Balance at January 1	($ 292,460)	$ 106,153	($ 186,307)
Current Service Cost	(4,823)	-	(4,823)
Interest (expense) income	(2,840)	1,042	(1,798)
Past service cost	2,325	-	2,325
	(297,798)	107,195	(190,603)
Remeasurements:			
Return on plan assets (not including the amount included in interest income or expense)	-	4,368	4,368
Change in demographic assumptions	(559)	-	(559)
Change in financial assumptions	(8,766)	-	(8,766)
Experience adjustments	(4,704)	-	(4,704)
	(14,029)	4,368	(9,661)
Pension fund contribution	-	51,089	51,089
Paid pension	28,814	(28,814)	-
Balance at December 31	($ 283,013)	$ 133,838	($ 149,175)

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). Relating condition of execution is supervised by Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	0.30%~0.35%	0.70%~0.80%
Future salary increases	1.00%~2.00%	1.00%~2.00%

The assumptions for future mortality are based on the fifth experience life table of the Taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 7,740)	$ 8,036	$ 7,876	($ 7,628)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 7,255)	$ 7,537	$ 7,414	($ 7,175)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(6)Expected contributions to the defined benefit pension plans of the Group and its domestic subsidiaries for the year ending December 31, 2021 amounts to $13,204.

(7)As of December 31, 2020, the weighted average duration of the retirement plan is 7-10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$	18,955
1-5 years		51,192
Over 5 years		236,840
	$	306,987

2. Defined contribution plans

(1) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(2)The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(3) The foreign subsidiaries contribute 6.2% of the total salary to the pension fund in accordance with the relevant local government employment law, and the Group has no further obligation other than making monthly contributions.

(4)The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $27,169 and $27,077, respectively.

(17)Share capital

1. As of December 31, 2020, the Company has a paid-in capital of $4,733,292, divided into 473,329,000 shares, with a stated capital of $10,000,000. Each share has a par value of $10. Payment for all issued shares has been received. A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and at the end of the period is as follows:

	2020 (Note)	2019 (Note)
At January 1(same as December 31)	473,329	473,329

Note: (1) The unit is thousands of shares.

(2) Before deducting the number of shares of the Company held by subsidiaries.

2. Treasury Stocks

(1) The Securities and Exchange Act stipulates that the number of shares repurchased by the Company shall not exceed 10% of the total number of issued shares, and the total amount of shares repurchased shall not exceed the amount of retained earnings plus the share premium and realized capital surplus.

(2) The treasury stock held by the Company may not be pledged under the Securities and Exchange Act and may not be entitled to shareholders' rights until it is transferred.

(3) The breakdown of the Company's shares held by the Company as of December 31, 2020 and 2019 is as follows:

		December 31, 2020		
	Reason of Recovery	Shares (in 1,000)	Book Amount	Fair Value/Share
Federex	Purpose of investment	7,842	$ 116,469	$ 19.70
Tai Cheng	Purpose of investment	5,913	66,566	19.70

		December 31, 2019		
	Reason for recovery	Shares (in 1,000)	Book Amount	Fair Value/Share
Federex	Purpose of investment	7,842	$ 116,469	$ 13.95
Tai Cheng	Purpose of investment	5,913	66,566	13.95

(18)Capital Surplus

In accordance with the Company Law, capital surplus from the issuance of shares in excess of par value and capital surplus from gifts may be used to offset losses, and new shares or cash may be issued in proportion to the shareholders' original shares when the Company has no accumulated losses. In accordance with the Securities and Exchange Act, the total amount of the above capital surplus shall not exceed 10% of the paid-in capital each year. The Company may not use the capital surplus to supplement the capital surplus unless there is still a shortfall in the capital surplus to cover the capital deficit.

The changes for the years 2020 and 2019 are as follows

	Common Stock Premium	Treasury Stocks Transactions	Donated Assets	Total
2020				
At January 1(same as December 31)	$ 37,860	$ 107,735	$ 11,169	$ 156,764

	Common Stock Premium	Treasury Stocks Transactions	Donated Assets	Total
2019				
At January 1	$ 37,860	$ 107,735	$ 151	$ 145,746
Occurring from gift receiving	-	-	11,018	11,018
December 31	$ 37,860	$ 107,735	$ 11,169	$ 156,764

Dividends received as a result of a gift are unclaimed by the shareholders after five years or more.

(19) Retained earnings

1.In accordance with the Company's Articles of Incorporation, if there is any surplus in the annual final accounts, after deducting taxes, making up for prior years' deficits, setting aside 10% of the legal reserve and setting aside a special reserve in accordance with the regulations, if there is any remaining balance in the year, the Board of Directors shall give priority to the distribution of dividends to preferred shares for the year, and then the remaining balance, together with the undistributed earnings (including adjusted undistributed earnings) at the beginning of the period, shall prepare a proposal for the distribution of earnings and submit it to the Board of Directors shall prepare a proposal for the distribution of earnings and submit it to the shareholders' meeting for approval of dividend distribution.

2. The Company's dividend policy is as follows.

The Company's industry is currently in a mature stage. Considering future capital needs and financial planning, and taking into account the interests of shareholders, the Board of Directors shall, depending on the operating conditions, prepare a proposal for the distribution of earnings between 5% and 50% and submit it to the shareholders' meeting; in the case of cash dividends, a resolution shall be made by a majority of the Board of Directors with at least two-thirds of the directors present and reported to the shareholders' meeting. Cash dividends are preferred over stock dividends, and stock dividends may be distributed at a rate of not more than 80% of the total amount of dividends; however, if there are significant investment plans and future development, the surplus may be retained.

3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital. ◦

4. Appropriated Retained Earnings

(1) In accordance with the regulations, the Company shall set aside a special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

(2) Upon the initial adoption of IFRSs, the special reserve set aside under the letter No. Financial-Supervisory-Securities-Issusing-1010012865 dated April 6, 2012 is reversed in proportion to the original special reserve set aside when the Company subsequently uses, disposes of or reclassifies the related assets, and if the aforementioned related assets are investment properties, the land portion is reversed upon disposal or reclassification, and the portion other than land is reversed period by period during use.

5. Distribution of surplus

(1) The Company resolved at the shareholders' meeting on June 19, 2020 not to distribute earnings due to an operating loss in fiscal 2019; and resolved at the shareholders' meeting on June 17, 2019 not to distribute earnings.

(2) On March 26, 2021, the Board of Directors proposed the following distribution of earnings for 2020.

	2020	
	Amount	Earnings per share (in NTD)
Legal reserve	$ 3,071	-
Appropriated Retained Earnings	1,591	-
Cash Dividend	9,467	$ 0.02

The aforementioned proposal for the distribution of earnings for fiscal 2020 has not been resolved by the shareholders' meeting as of March 26, 2021.

6. Please refer to Note 6(26) for information on the remuneration of employees and remuneration of directors and supervisors.

(20)Operating revenue

	2020	2019
Revenue from contracts with customers	$ 5,704,663	$ 4,541,002

1. Breakdown of revenue from customer contracts:

The Group's revenue is derived from goods and services transferred at a point in time and can be subdivided into the following main geographical areas.

2020	Domestic	Asia	America	Total
Segment income	$5,647,500	$ 42,354	$1,441,867	$7,131,721
Internal segment transaction income	(1,427,058)	-	-	(1,427,058)
Income from external customer contracts	$4,220,442	$ 42,354	$1,441,867	$5,704,663
Revenue recognized at a point of time.	$4,220,442	$ 42,354	$1,441,867	$5,704,663

2019	Domestic	Asia	America	Total
Segment income	$4,548,628	$ 148,694	$1,061,055	$5,758,377
Internal segment transaction income	(1,205,510)	(11,865)	-	(1,217,375)
Income from external customer contracts	$3,343,118	$ 136,829	$1,061,055	$4,541,002
Revenue recognized at a point of time.	$3,343,118	$ 136,829	$1,061,055	$4,541,002

Note: Classified by the location of the operating segment.

2.Pending sale of Liabilities

(1) The Group recognized contract liabilities related to customer contract revenue as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract Liabilities - Advance Receivables	$ 36,515	$ 25,557	$ 32,014

(2)Beginning contract liabilitie recognized as revenue

	2020	2019
Opening balance of contract liabilities recognized as revenue in the current period		
Advance resembles	$ 12,565	$ 20,185

(21)Interest income

	2020	2019
Bank deposit interest	$ 7,755	$ 10,872
Interest income on financial assets measured at amortized cost	425	1,157
	8,180	12,029
Less: Interest incomes of discontinued operating segment	(19)	(41)
	$ 8,161	$ 11,988

(22)Other income

	2020	2019
Dividend income	$ 6,324	$ 6,324
Other incomes－Other	8,713	28,506
	$ 15,037	$ 34,830

(23)Other gains and loss

	2020	2019
Disposal gains (loss) of Property, Plant and Equipment	$ 665	($ 4,813)
Foreign exchange loss	(66,934)	(13,526)
Gain (loss) on financial assets at fair value through profit or loss	1,290	(1,802)
Gain (loss) on fair value adjustment of investment property	5,479	(8,726)
Non Financial Assets Impairment loss	-	(213,847)
Other gains and loss	(3,273)	(2,131)
	($ 62,773)	($ 244,845)

(24)Financial costs

	2020	2019
Interest expense	$ 64,779	$ 79,268
Less: Amount of assets capitalized that meet the criteria	-	(855)
	64,779	78,413
Less: Financial cost of discontinued Operating segment	(28)	(46)

	2020	2019
Total	$ 64,751	$ 78,367

(25) Additional information on the nature of costs and expenses (including discontinued operations)

	2020	2019
Employee benefit expense	$ 929,032	$ 828,723
Property, Plant and Equipment Depreciation	425,848	474,935
Right-of-use Assets Depreciation	18,713	20,243
Intangible Assets Amortization expense	8,130	10,223
Other Non Current Assets Amortization expense	77,134	129,048
	$ 1,458,857	$ 1,463,172

(26)Employee benefit expense (including discontinued Operating segment)

	2020	2019
Wages and salaries	$ 786,793	$ 693,119
Labor and health insurance fees	72,679	69,017
Pension costs	32,621	31,373
Other personnel expenses	36,940	35,214
	$ 929,033	$ 828,723

1. In accordance with the Company's Articles of Incorporation, if there is any remaining balance after deducting accumulated losses from the Company's profit for the year, the Company should provide not less than 1% for employees and not more than 3% for directors and supervisors.
2. The estimated amount of employee compensation and remuneration to directors and supervisors for fiscal 2020 is $665, which is recorded as salary expense. The compensation of employees and directors and supervisors has not been estimated or recorded due to the lack of profit in fiscal year of 2019.
   For the year 2020, the estimated amount is based on the profitability as of the end of the year and is estimated based on the percentage set by the Company's Articles of Incorporation (estimated at 1%).
3. Information on the remuneration of employees and directors and supervisors resolved by the shareholders' meeting can be found on the Market Observation Post System.

(27).Income tax

1.Components of income tax expense:

	2020	2019
Current tax:		
Current tax on profit for the year	$ 11,977	$ 13,365
Over provision of prior year's income tax	8	(1)
Total current tax	11,985	13,364
Deferred tax ：		
Origination and reversal of temporary differences	19,421	(11,175)
Deferred tax Total	19,421	(11,175)
Income tax expense	31,406	2,189
Less: Income tax attributable to discontinued operating segment	(2,362)	(3,847)
Income tax expense (gains)	$ 29,044	($ 1,658)

2. Reconciliation between income tax expense and accounting profit:

	2020	2019
Income tax on net income (loss) before income tax at statutory tax rate (Note)	$ 28,236	($ 196,320)
Income tax effect of items adjusted according to the law	(1,145)	(838)
Deferred income tax assets not recognized for temporary differences	(1,411)	50,519
Change in assessment of realizability of deferred income tax assets	(5,386)	27,960
Deferred income tax assets not recognized for tax losses	11,104	120,869
Over provision of prior year's income tax	8	(1)
Less: Income tax gains (expense) attributable to discontinued operating segment	(2,362)	(3,847)
Income tax gains	$ 29,044	($ 1,658)

Note: The applicable tax rate is based on the tax rate applicable to the income of the relevant country.

3. The amount of each deferred income tax asset or liability arising from temporary differences, tax losses and investment tax credits is as follows:

	2020			
	January 1	Recognized profit (loss)	Exchange Difference	December 31
Temporary differences:				
-Deferred tax assets：				
Unrealized decline in value of inventories and doubtful losses	$ 3,177	($ 2,353)	$ -	$ 824
Loss of doubtful accounts	10,356	(1,459)	-	8,897
Unrealized exchange loss	2,099	(630)	-	1,469
Estimated Product Warranty Costs	6,209	2,030	-	8,239
Unrealized pension payments	37,214	(4,587)	-	32,627
Unused vacation bonus	4,339	242	-	4,581
Tax loss	61,432	(10,420)	-	51,012
Other	480	-	-	480
Less: Deferred income tax assets attributable to discontinued operations	(10,675)	2,357	-	(8,318)
Sub total	114,631	(14,820)	-	99,811
-Deferred tax liabilities：				
Provision for land appreciation tax	($585,916)	($ 1,722)	($ 3,939)	($591,577)
Unrealized interest in investment property	(7,807)	(522)	377	(7,952)
Less: Deferred income tax liabilities attributable to discontinued operations	62,114	-	-	62,114
Sub total	(531,609)	(2,244)	(3,562)	(537,415)
Total	($416,978)	($ 17,064)	($ 3,562)	($437,604)

	2019			
	January 1	Recognized profit (loss)	Exchange Difference	December 31
Temporary differences:				
-Deferred tax assets：				
Unrealized decline in value of inventories and doubtful losses	$ 4,288	($ 1,107)	$ -	$ 3,181
Loss of doubtful accounts	9,802	565	50	10,417
Unrealized exchange loss	271	1,813	-	2,084
Estimated Product Warranty Costs	3,177	3,032	-	6,209
Unrealized pension payments	46,107	(8,893)	-	37,214
Unused vacation bonus	3,273	1,066	-	4,339
Fire loss	14,844	(14,844)	-	-
Tax loss	40,644	20,736	-	61,380
Other	480	-	-	480
Less: Deferred income tax liabilities attributable to discontinued operations	(14,522)	3,847	-	(10,675)
Sub total	108,364	6,215	50	114,629
-Deferred tax liabilities：				
Provision for land appreciation tax	($590,523)	$ 4,110	$ 497	($585,916)
Unrealized interest in investment property	(8,793)	850	(35)	(7,978)

Less: Deferred tax Liabilities attributable to discontinued operating segment	62,114	-	-	62,114
Sub total	(537,202)	4,960	462	(531,780)
Total	($428,838)	$ 11,175	$ 512	($417,151)

4.Expiration dates of unused taxable loss and amounts of unrecognized deferred tax assets are as follows:

(1)The Company and domestic subsidiaries：

December 31, 2020

Year incurred	Amount filed/assessed	Unused amount	Unrecognized Deferred tax assets	Usable until
2011	$ 22,146	$ 22,146	$ 10,356	2021
2012	20,272	20,272	8,482	2022
2013	15,269	15,269	3,480	2023
2014	6,220	6,220	-	2024
2017	348,738	321,378	107,909	2027
2018	398,442	398,442	398,442	2028
2019	516,626	516,626	516,626	2029
2020	19,151	19,151	19,151	2030
	$ 1,398,215	$ 1,319,504	$ 1,064,446	

December 31, 2019

Year incurred	Amount filed/assessed	Unused amount	Unrecognized Deferred tax assets	Usable until
2010	$ 20,135	$ 20,135	$ 8,345	2020
2011	22,146	22,146	10,356	2021
2012	20,272	20,272	8,482	2022
2013	15,269	15,269	3,480	2023
2014	6,220	6,220	-	2024
2016	51,351	51,351	-	2026
2017	348,738	348,738	146,309	2027
2018	398,442	398,442	398,442	2028
2019	505,343	505,343	505,343	2029
	$ 1,387,916	$ 1,387,916	$ 1,080,757	

(2)Subsidiaries in China:

December 31, 2020

Year incurred	Amount filed/assessed	Unused amount	Unrecognized Deferred tax assets	Usable until
2017	$ 120,534	$ 120,534	$ 120,534	2022
2018	304,613	304,613	304,613	2023
2019	79,204	79,204	79,204	2024
2020	29,095	29,095	29,095	2025
	$ 533,446	$ 533,446	$ 533,446	

December 31, 2019

Year incurred	Amount filed/assessed	Unused amount	Unrecognized Deferred tax assets	Usable until
2017	$ 120,534	$ 120,534	$ 120,534	2022
2018	304,613	304,613	304,613	2023
2019	79,204	79,204	79,204	2024
	$ 504,351	$ 504,351	$ 504,351	

5. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 862,453	$ 854,099

6. The Company and its subsidiaries – Federex, Tai Xin, and Tai Cheng's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28)Earnings per share

	2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 135,945	459,574	$ 0.30
Net loss attributable to discontinued operating segment of the parent	(24,468)		(0.06)
Net income attributable to the common shareholders of the parent	$ 111,477		$ 0.24
Diluted Earnings per share(loss)			
Net income for the period attributable to common stockholders of the parent company from continuing operations	$ 135,945	459,574	
Effect of dilutive potential common stock on employee compensation	-	34	
Net income attributable to the parent's common shareholders of the continuing business unit plus the effect of potential common shares	135,945	459,608	$ 0.30
Net loss attributable to discontinued operating segment	(24,468)		(0.06)

Net profit for the period attributable to ordinary shareholders of the parent	$ 111,477		$ 0.24

	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic loss per share			
Current net loss attributable to continued operating segment of the parent	($ 660,770)	459,574	($ 1.44)
Attributable to the parent company's Discontinued Operating segment	(8,793)		(0.02)
Common shares attributable to the parent company			
Net loss to shareholders	($ 669,563)		($ 1.46)
Diluted loss per share			
Effect of net loss plus potential common shares for the period attributable to continuing operations	($ 660,770)	459,574	($ 1.44)
Net loss attributable to the parent company’s discontinued operating segment	(8,793)		(0.02)
net loss attributable to common shareholders of the parents	($ 669,563)		($ 1.46)

(29) Supplementary cash flow information

Investing activities that are only partially paid in cash.

	2020	2019
Purchase of Property, Plant and Equipment	$ 359,355	$ 250,250
Add: Beginning payable for equipment	69,588	65,180
Less: Ending payable for equipment	(145,996)	(69,588)
Less: Interest capitalized	-	(855)
Cash paid	$ 282,947	$ 244,987

(30)Changes of liabilities from financing activities

	Short-term borrowings	Long-term Loans	Lease Liabilities	Total liabilities from financing activities
January 1, 2020	$ 517,075	$ 4,175,728	$ 33,299	$ 4,726,102
Changes in financing cash flows	410,435	(72,864)	(18,094)	319,477
Effect of exchange rate changes	-	-	(814)	(814)
Other non-cash changes	-	-	7,033	7,033
December 31, 2020	$ 927,510	$4,102,864	$ 21,424	$ 5,051,798

	Short-term borrowings	Long-term Loans	Lease Liabilities	Total liabilities from financing activities
January 1, 2019	$ 451,874	$4,238,430	$ 46,990	$ 4,737,294
Changes in financing cash flows	65,201	(62,702)	(19,646)	(17,147)
Effect of exchange rate changes	-	-	(1,540)	(1,540)
Other non-cash changes	-	-	7,495	7,495
December 31, 2019	$ 517,075	$4,175,728	$ 33,299	$ 4,726,102

7. RELATED PARTY TRANSACTIONS

(1) The Group has no material related party transactions in 2020 and 2019.

(2) Key Management compensation

	2020	2019
Short-term employee benefits	$ 18,597	$ 25,957
Post-employment benefits	207	1,013
Total	$ 18,804	$ 26,970

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

	Book value		
Asset Item	December 31, 2020	December 31, 2019	Purpose
Financial Assets at amortized Cos -Current	$ 861	$ 611	Export Guarantee Letters
Property, Plant and Equipment			
-Land	1,410,176	1,410,176	Long-term Loans
-Buildings	1,171,033	1,197,853	Long-term Loans
-Machinery Equipment	1,952,201	1,158,274	Long-term Loans
Refundable Deposits	44,641	44,216	Participation in tender, lease deposit, electricity deposit, after-sales service deposit and customs deposit
	$ 4,578,912	$ 3,811,130	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

(1) Contingencies

On December 30, 2020, the Group received the preliminary anti-dumping results from the U.S. Department of Commerce (DOC) on "passenger car and light truck tires" including those from Taiwan, Korea, Thailand and Vietnam, which determined that the anti-dumping rates for Taiwan products ranged from 52.42% to 98.44%, of which the Group was a non-compulsory respondent, so the applicable weighted average rate was 88.82%. The weighted average tax rate applied by the Group was 88.82%. After the additional information provided by Other Compulsory Respondents, the weighted average tax rate applied by the Group was reduced to 84.83%. The U.S. Department of Commerce (DOC) is expected to finalize the final dumping rate on May 21, 2021, and the U.S. International Trade Commission (ITC) is expected to announce its final determination of material injury to U.S. domestic industry on July 21, 2021. The Group has sought the assistance of counsel to clarify the Group's situation, however, as the overall case is focused on the overall industry of the country and there is no direct access or assistance from the non-compulsory respondent companies, the Group is unable to assess the likely outcome and impact of the ITC's final determination as it has not yet been made.

For the period from January 1 to March 26, 2021, the Group has deposited $162,263 as security deposit with the U.S. Customs in connection with the aforesaid anti-dumping case.

(2)Commitments

1. As of December 31, 2019 and 2020, $341,572 and $322,340, respectively, were outstanding for the purchase of raw materials, merchandise and machinery equipment for which contracts and letters of credit had been issued.

2. The distribution contract between Jiangxi Federal and the distributor has an after-sales service warranty clause, which stipulates that Jiangxi Federal will be responsible for "replacement", "return" and "compensation" of products sold by Jiangxi Federal that are defective during the use by consumers and are identified by The Company's approved technical personnel as being due to manufacturing processes. The Company will be responsible for the after-sales service guarantee of "replacement", "return" and "compensation" if the defect is caused by the manufacturing process.

10. MAJOR DISASTER LOSSES

None.

11.SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

1. Please refer to Note 6(xix)5 for the appropriation of earnings in fiscal 2020.
2. Please refer to Note 9(1) for the anti-dumping case in the United States.
3. On March 26, 2021, the Board of Directors approved the spin-off of Tai Cheng Development Co., Ltd. ("Tai Cheng Development"), a 100% reinvested subsidiary of the Company, to operate its land development division (including assets, liabilities and operations) independently in accordance with the spin-off under the Business Merger and Acquisition Act, the Company Act and other related laws and regulations. (hereinafter referred to as "Development business unit") with a book value of $10,000, and establish Rong Cheng Development Co. The newly established Rong Cheng Development issued 1,000,000 shares of common stock to the sole shareholder of Tai Cheng Development (i.e. the Company) for the business value it assumed, and Tai Cheng Development correspondingly reduced its capital by $10,000 and cancelled 1,000,000 shares in addition to the issued shares. After the demerger, the Company's investment in Tai Cheng Development will be reduced to 15,000,000 shares, and the Company will invest in Rong Cheng Development and hold 1,000,000 shares.
4. Please refer to Note 3 of Note 4(3) for the liquidation of Winberg, a subsidiary of the Company.

12.OTHER

(1)Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure to reduce the cost of capital and to provide remuneration to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors its capital by using a debt-to-capital ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as reported in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" plus net debt as reported in the consolidated balance sheet. As of December 31, 2020, and 2019, the Group's debt-to-capital ratios were as follows.

	December 31, 2020	December 31, 2019
Total liabilities	$ 5,030,374	$ 4,692,803
Less: Cash and cash equivalents	(1,681,441)	(1,319,655)
Net liabilities	3,348,933	3,373,148
Total Equity	7,543,425	7,319,790
Total capital	$ 10,892,358	$ 10,692,938
Liabilities/Equity ratio	31%	32%

(2)Financial Instruments

1. Type of Financial Instruments

	December 31, 2020	December 31, 2019
Financial Assets		
Financial Assets at fair value through profit or loss		
Financial Assets mandatorily at fair value through profit or loss	$ 45,038	$ 663
Financial assets at fair value through other comprehensive income or loss		
Select a designated equity instrument for investment	$ 391,450	$ 267,077

	December 31, 2020	December 31, 2019
Financial assets/lending and receivables at amortized Cost		
Cash and cash equivalents	$ 1,681,441	$ 1,319,655
Financial assets at amortized cost - Current	167,221	62,568
Notes Receivable	31,380	39,516
Accounts Receivable	1,155,058	875,071
Other receivables	2,625	338
Refundable Deposits	44,641	44,216
	$ 3,082,366	$ 2,341,364
Financial liabilities		
Financial liabilities at amortized cost		
Short-term borrowings	$ 927,510	$ 517,075
Notes Payable	12,606	24,676
Accounts Payable	298,493	249,927
Other Payables	696,141	428,863
Long-term loans (includes expiration within one year or one business cycle)	4,102,864	4,175,728
Deposits received	3,736	3,589
Lease Liabilities	21,424	33,299
	$ 6,062,774	$ 5,433,157

2. Risk Management Policy

The Group's financial risk is mainly the risk associated with its investment in financial instruments. The Group adopts the most stringent control standards for the financial risk of each financial instrument investment. All financial investments and operations are thoroughly evaluated for possible market risk, credit risk, liquidity risk and cash flow risk, and the less risky ones are always selected.

3. Nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Group operates on a multinational basis and is exposed to exchange rate risk arising from transactions with different functional currencies from those of the Company and its subsidiaries, mainly the U.S. dollar and Renminbi. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

B. The Group's operations involve certain non-functional currencies (the functional currency of the Company is the New Taiwan dollar, and the functional currencies of certain subsidiaries are the U.S. dollar, Singapore dollar and Renminbi) and are therefore subject to exchange rate fluctuations.

	December 31, 2020				2020		
				Book Amount	Sensitivity analysis		
(Currency: functional currency)	Currency (in 1,000 dollars)		FX rate	(in NTD)	Changes %	Profit or loss impact	Other comprehensive income impact
Financial Assets							
Currency Item							
USD: NTD	USD	55,080	28.48	$1,568,678	1%	$ 15,687	$ -
Non Currency Item							
USD: NTD	USD	47,108	28.48	1,341,636	1%	-	13,416
Financial Liabilities							
Currency Item							
USD: NTD	USD	29,052	28.48	827,401	1%	8,274	-

	December 31, 2019				2019		
				Book Amount	Sensitivity analysis		
(Currency: functional currency)	Currency (in 1,000 dollars)		FX rate	(in NTD)	Changes %	Profit or loss impact	Other comprehensive income impact
Financial Assets							
Currency Item							
USD: NTD	USD	44,906	29.98	$1,346,282	1%	$ 13,463	$ -
Non Currency Item							
USD: NTD	USD	46,517	29.98	1,394,580	1%	-	13,946
Financial Liabilities							
Currency Item							
USD: NTD	USD	16,337	29.98	489,783	1%	4,898	-

C. The aggregate amount of the Group's monetary items that are materially affected by exchange rate fluctuations in 2020 and 2019 Recognized Total Conversion Loss (both realized and unrealized) is ($66,934) and ($13,526), respectively.

Price risk

A. The investments held by the Group are classified as financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income or loss in the Consolidated Statement of Assets Liabilities. The Group is not exposed to the price risk of Equity instruments as the Group's investments are classified as Financial Assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income or loss. The Group has no exposure to commodity price risk. In order to manage the price risk of Equity instruments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.

B. The Group invests mainly in Equity instruments issued by domestic companies. The prices of these Equity instruments are affected by the uncertainty of the future value of the underlying investments. If the price of these Equity instruments increases or decreases by 1%, with all other factors remaining unchanged, the impact on other comprehensive income in 2020 and 2019 would be increased or decreased by $3,990, respectively, due to gains or losses measured at fair value through other comprehensive income. The increase or decrease of $3,915 and $2,671 for 2020 and 2019, respectively, for other comprehensive income measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term Loans. Borrowings issued at floating rates expose the Group to Cash flow interest rate risk, partially offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In 2020 and 2019, the Group's borrowings at floating interest rates are denominated in New Taiwan Dollars and the increase in cash outflow for each 1% increase in market interest rates is $41,029 and $41,757, respectively.

(2) Credit Risk

A. The Company's credit risk is the risk of financial loss resulting from the failure of customers or counterparties to Financial Instruments to meet their obligations under contracts, primarily due to the failure of counterparties to settle Accounts Receivable, which are paid on a collection basis, and Contract Cash flows from investments in Equity Instruments, which are classified as fair value through Other comprehensive income.

B. The Company establishes the management of credit risk from a corporate perspective. Only banks and financial institutions with an independent credit rating of at least "A" are accepted as counterparties. In accordance with the internal credit policy, each operating entity and each new customer within the Company is required to manage and analyze credit risk prior to establishing payment and delivery terms and conditions. Internal risk control is performed by considering the financial condition, past experience and other factors to assess the credit quality of customers. Individual risk limits are established by the board of directors based on internal or external ratings, and the use of credit limits is monitored regularly.

C. The Group adopts IFRS 9 to consider that the credit risk of Financial Assets has increased significantly since the original recognition when the contract amount is overdue for more than 30 days according to the agreed payment terms.

D. The Group is deemed to be in default when the contract amount is more than 90 days past due according to the contractual payment terms.

E. The Group groups the Accounts Receivable to customers according to the characteristics of the customer type and uses a simplified approach to estimate the expected credit loss based on the reserve matrix and loss rate method.

F. After recourse procedures, the Group eliminates the amounts of Financial Assets that are not reasonably expected to be recoverable, but the Group continues to pursue recourse legal procedures to preserve the rights of debts. The Group's cancelled debts with recourse activities are $3,463 in 2020 and December 31, 2019.

G. The Group adjusted the loss rates established based on historical and current information for a specific period to estimate the allowable loss for Accounts Receivable by incorporating the forward-looking considerations of the Taiwan Institute of Economic Research's (TISE) Outlook Report for 2020 and December 31, 2019, with the following ready matrix and loss rate method.

December 31, 2020	Not overdue	Overdue 30 days	Overdue 31-90 days	Overdue 91-180 days
Expected loss rate	0%~0.11%	1.43%~5%	9%~21%	31%~43%
Total book value	$ 896,250	$ 89,821	$ 3,431	$ -
Allowance for loss	$ 999	$ 4,320	$ 324	$ -

December 31, 2020	Overdue 181-365 days	Overdue 365 days	Total
Expected loss rate	50%~72%	100%	
Total book value	$ -	$ 56,046	$ 1,045,548
Allowance for loss	$ -	$ 56,046	$ 61,689

	Group A	Group B	Group C	Total
December 31, 2020				
Expected loss rate	37%	82%	-	
Total book value	$ 14,828	$ 61,819	$ 150,555	$ 227,202
Allowance for loss	$ 5,424	$ 50,579	$ -	$ 56,003

December 31, 2019	Not overdue	Overdue 30 days	Overdue 31-90 days	Overdue 91-180 days
Expected loss rate	0%~0.3%	0%~5%	0%~20%	30%~50%
Total book value	$ 639,526	$ 46,449	$ 489	$ 12,556
Allowance for loss	$ 1,623	$ 1,282	$ 69	$ 4,952

December 31, 2019	Overdue 181-365 days	Overdue 365 days	Total
Expected loss rate	80%	100%	
Total book value	$ 37,978	$ 35,394	$ 772,392
Allowance for loss	$ 20,870	$ 35,450	$ 64,246

	Group A	Group B	Group C	Total
December 31, 2019				
Expected loss rate	33%	66%	7%	
Total book value	$ 16,370	$ 75,842	$ 140,134	$ 232,346
Allowance for loss	$ 5,331	$ 49,718	$ 10,372	$ 65,421

H. The Group's condensed statement of changes in the allowance for losses on accounts receivable is as follows.

	2020 Accounts Receivable	2019 Accounts Receivable
At January 1	$ 129,667	$ 103,374
Impairment loss(Reversal)	(11,985)	28,823
Amounts written off as uncollectible	(793)	-
Exchange differences	803	(2,530)
December 31	$ 117,692	$ 129,667

The above stated amounts take into account the property and time deposit collateral held and therefore the unrecognized allowance loss is $4,227 and $2,090 for 2020 and December 31, 2019, respectively. Impairment (gains) losses recognized for receivables arising from contracts were ($11,985) and $28,823 in 2020 and December 31, 2019, respectively.

(3) Liquidity Risk

A. Cash flow forecasts are performed by each operating entity within the Group and are compiled by the Group Finance Department. The Group Finance Department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet its operational needs.

B. Surplus cash held by each operating entity is transferred back to the Group Finance Department when it exceeds the working capital management requirements. The Group's treasury department invests the remaining funds in interest-bearing demand deposits, time deposits, money market deposits and marketable securities in instruments with appropriate maturities or sufficient liquidity to meet the above projections and to provide adequate deployment levels. As of December 31, 2020 and 2019, the Group held money market positions of $1,679,766 and $1,270,131, respectively, and financial assets at amortized cost - current of $167,221 and $62,568, respectively, which are expected to generate immediate cash flow to manage liquidity risk. The Group's unutilized borrowings are expected to generate immediate cash flows to manage liquidity risk.

C. The breakdown of the Group's unutilized borrowing facilities is as follows.

	December 31, 2020	December 31, 2019
Floating interest rate		
Expires in over 1 year	$ 2,425,032	$ 156,542

D. The following table presents the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or gross basis, grouped by their respective maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date; derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date.

December 31, 2020	Within 1 year	More than 1 year
Non-derivative financial liabilities：		
Short-term borrowings	$ 929,530	$ -
Notes Payable	12,606	-
Accounts Payable	298,493	-
Other Payables	696,141	-
Lease Liabilities	13,970	7,886
Long-term Loans	346,132	4,124,394
(Includes expiration within		

one year or one business cycle)

December 31, 2019		Within 1 year		More than 1 year
Non-derivative financial liabilities：				
Short-term borrowings	$	519,559	$	-
Notes Payable		24,676		-
Accounts Payable		249,927		-
Other Payables		428,863		-
Lease Liabilities		18,430		15,433
Long-term Loans(Includes expiration within one year or one business cycle)		185,135		4,493,920

The Group does not expect the timing of the cash flows for the maturity analysis to occur significantly earlier or the actual amounts to be significantly different.

(3) Fair value information

A. The different levels of the inputs used in valuation techniques to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates and on-the-run Taiwan central government bonds is included in Level1.

Level 2：Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investments in derivative instruments are included.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in equity investments without an active market is included in Level 3.

2. The carrying amounts of the Group's cash and cash equivalents, Notes Receivable, Accounts Receivable, Other Receivable, short-term loans, accounts payable and other payables are reasonable approximations of their fair values.

3. For financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics and risks of the assets and liabilities and the basis of the fair value hierarchy, and the related information is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial Assets at fair value through profit or loss				
Derivative Tools	$ 45,038	$ -	$ -	$ 45,038
Financial Assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$391,450	$391,450
Investment property	-	-	62,838	62,838
Total	$ -	$ -	$454,288	$454,288

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				

measurements				
Financial Assets at fair value through profit or loss				
Derivative Tools	$ -	$ 663	$ -	$ 663
Financial Assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$267,077	$267,077
Investment property	-	-	60,323	60,323
Total	$ -	$ -	$327,400	$327,400

4. The methods and assumptions used by the Group to measure fair value are described as follows.
(1) The Group uses quoted market prices as fair value inputs (i.e. Level 1), which are broken down by the characteristics of the instruments as follows.

	Open-end funds
Quoted market prices	Net value

(2) Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained by valuation techniques or by referring to counterparty quotes. The fair values obtained through valuation techniques may be calculated by reference to the current fair values of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including the use of models based on market information available at the date of the Consolidated Statement of Assets Liabilities (e.g., over-the-counter (OTC) reference colonial interest rate curves, Reuters' reference rate curves, and other market information). (e.g., the over-the-counter (OTC) reference yield curve, Reuters average commercial paper interest rate quotation).
(3) Derivative financial instruments are evaluated based on valuation models that are widely accepted by market users, such as the discount method and option pricing models.
(4) The fair value of the Group's investment property measured at fair value is calculated using the income method in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and by engaging an external appraiser. The related assumptions and inputs are as follows
A. Cash flow: Based on the current Lease Agreement, local rents or rental quotations of similar comparables in the market, and excluding those comparables that are too high or too low, the present value of the Ending Value shall be added if there is an Ending Value.
B. Period of analysis: If the income does not have a certain period, the period of analysis shall be no more than ten years; if the income has a specific period, the remaining period shall be estimated.
C. Discount rate: The risk premium method is used to estimate the individual characteristics of investment property based on a certain interest rate. The interest rate shall not be lower than the two-year postal time deposit rate issued by Chunghwa Post Co., Ltd. plus 0.75%..

5. There is no transfer between the first tier and the second tier in 2020 and 2019.
6. Please refer to Note 6 (3) and 6 (10) for the changes of Level 3 in 2020 and 2019.
7. There are no transfers in and out of Level 3 in 2020 and 2019.

8. The Group's evaluation process for fair value classification in Level 3 is conducted by an external appraiser to ensure that the valuation results are reasonable by using independent sources of information that approximate market conditions, confirming that the sources are independent, reliable, consistent with Other resources and representative of executable prices.

9. The quantitative information regarding the significant unobservable inputs of the valuation model used for the Level 3 fair value measurement Item and the Sensitivity analysis of changes in significant unobservable inputs are described as follows.

	December 31, 2020 Fair value	December 31, 2019 Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of input to fair value
Non-derivative equity instrument：						
Unlisted ,non-OTC stocks	$ 391,450	$ 267,077	Comparable to listed companies	Principal-to-benefit ratio multiplier, principal-to-net ratio multiplier and enterprise value to pre-tax interest rate gains ratio multiplier	-	The higher the multiplier and control equity value, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value
Investment property	$ 62,838	$ 60,323	Cash flow discount method	Long-term revenue growth rate discount rate	Note	The higher the long-term revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

Note: Please refer to Note 6 (10) of the 2020 Consolidated Financial Statements for the discount rate range.

(4) Financial instruments with off-balance-sheet credit risk

	Guaranteed Amount	
	December 31, 2020	December 31, 2019
Subsidiary Guarantee Commitment	-	US$6,000,000

The Group provides endorsement and guarantee commitments in accordance with the "endorsement and guarantee method" and only for those investees with significant influence. As the Group has full control of their credit standing, no collateral is required. If the investees fail to perform, the potential loss is equal to the contract amount.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

1. Loans to others: None
2. Provision of endorsements and guarantees to others：Please refer to Table 1 for details. 。
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 2.
4. Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company’s paid-in capital: None.
5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more:：Please refer to Table 3

8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 4
9. Trading in derivative instruments financial products: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information about reinvestment business:

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

List of shareholders holding more than 5% (inclusive) of shares: Please refer to Table 8.

14.SEGMENT INFORMATION

(1) General information

The chief operating decision-maker considers the business from geographic perspectives and the Group currently focuses on the domestic and America regions.

(2) Measurement of segment information

The chief operating decision-makers evaluate operating divisions based on adjusted operating benefits. Financial income and expenses (e.g. interest income and expenses, etc.) are unallocated to the operating segment. Thus, the activities are managed by the finance department which is in charge of for the Company's cash conditions.

(3) Information on segment income (loss), assets and liabilities

Reportable segment information provided to the chief operating decision maker is as follows.

2020

	Domestic	Asia	America	Total
Income from customers other than the parent company and combined subsidiaries	$ 4,220,442	$ 42,354	$ 1,441,867	$ 5,704,663
Income from parent company and combined subsidiaries	1,427,058	-	-	1,427,058
Total income	$ 5,647,500	$ 42,354	$ 1,441,867	$ 7,131,721
Segment income (Note 1)	$ 261,175	($ 24,679)	$ 9,171	$ 245,667
Segment income includes:				
Depreciation and amortization	$ 524,151	$ 2,736	$ 2,938	$ 529,825

2019

	Domestic	Asia	America	Total
Income from customers other than the parent company and combined subsidiaries	$ 3,343,118	$ 136,829	$ 1,061,055	$ 4,541,002
Income from parent company and combined subsidiaries	1,205,510	11,865	-	1,217,375
Total incomes	$ 4,548,628	$ 148,694	$ 1,061,055	$ 5,758,377
Segment income (Note 1)	($ 327,331)	($ 83,250)	$ 18,275	($ 392,306)
Segment income includes:				
Depreciation and amortization	$ 607,805	$ 24,713	$ 1,931	$ 634,449

Note 1: Include discontinued operating segment income.

(4) Reconciliation of segment income (loss)

Intersegment sales are accounted for on a fair-trade basis. External revenues reported to the chief operating decision maker are measured in a manner consistent with revenues in the income statement.

A reconciliation of reportable segment income to income before income taxes is as follows (all other items are the same as in the consolidated statements of income).

	2020	2019
Segment (loss) income (reportable segment net loss)	$ 245,667	($ 392,306)
Consolidated elimination	11,718	259,154
Non-operating income and expenses	(114,502)	(534,222)
Pre-tax gain or loss in discontinued operations	22,106	4,946
Income (loss) from continuing operations before tax	$ 164,989	($ 662,428)

(5) Information on products

Revenue from external customers is mainly derived from the sale of tires.

(6) Geographical information

As of and for the years ended December 31, 2020 and 2019, the information on the Company and subsidiaries' geographic area is as follows:

1. Revenue from external customers

	2020	2019
Domestic	$ 4,220,442	$ 3,343,118
Asia	42,354	136,829
America	1,441,867	1,061,055
Total	$ 5,704,663	$ 4,541,002

The calculation of the Company's revenue by region is based on the recipient geographic areas. ◦

2. Non-Current Assets

	December 31, 2020	December 31, 2019
Domestic	$ 8,614,626	$ 8,643,834
Asia	268,707	265,432
America	94,959	100,197
Total	$ 8,978,292	$ 9,009,463

Non Current Assets means Property, Plant and Equipment, Right-of-use Assets, Investment property, Intangible Assets, and Other Non Current Assets-Other, but excluding financial instruments and deferred tax assets ◦

(7) Key customers information

The key customer's information of the Group in 2020 and 2019 is as fellows.

	2020		2019	
	Sales	Percentage (%)	Sales	Percentage (%)
Class A customers from domestic segment	$1,648,675	28.90%	$1,215,994	26.78%

FEDERAL CORPORATION

Provision of endorsements and guarantees to others

January 1 to December 31 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser Company Name	Endorsed by Company Name	Relationship (Note 2)	Endorsement guarantee limit for a single enterprise (Note 3)	Maximum endorsement guarantee balance for the period (Note 4)	Endorsement guarantee balance at the end of the period (Note 5)	Actual expenditures (Note 6)	Amount of endorsement guarantee by property guarantee	Ratio of accumulated endorsement guarantee to net worth of the most recent financial statements	Endorsement Guarantee Maximum Limit (Note 3)	Parent company endorsement of subsidiary (Note 7)	Subsidiary endorsement of parent company (Note 7)	Endorsement guarantee for China (Note 7)	Note
0	The Company	Federal Tire (Jiangxi) Ltd.	2	$ 3,771,713	$ 90,750	$ -	$ -	$ -	-	$ 7,543,425	Y	N	Y	
〃	〃	Federal Tire North America LLC	〃	3,771,713	90,750	-	-	-	-	7,543,425	Y	N	N	

Note 1: The description of the numbered column is as follows.

(1). The issuer fills in 0.

(2). The investee companies are numbered by company in order starting from the Arabic numeral 1.

Note 2: There are 7 types of relationships between the guarantor and the target of the endorsement, and the types can be indicated as follows

(1). (1) Companies that have business dealings.

(2). A company in which the company directly or indirectly holds more than 50% of the voting shares.

(3). A company that directly or indirectly holds more than 50% of the voting shares of the company.

(4). A company in which the Company directly or indirectly holds more than 90% of the voting shares.

(5). A company that is mutually insured under a contract between peers or co-founders based on the needs of the contracted work.

(6). A company that is guaranteed by all shareholders in proportion to their Ownership due to joint investment.

(7). Inter-company guarantee for the performance of the Presale House Sales Contract in accordance with the Consumer Protection Act.

Note 3: a. The total amount of the Company's external endorsement guarantee and the total amount of the Company's and its subsidiaries' endorsement guarantee are limited to the total amount of the Company's total shareholders' equity.

b. The limits of the Company's endorsement and guarantee for a single enterprise are as follows.

(a) For companies with business relationship: The total amount of business transactions between the two parties in the most recent year shall not exceed 50% of the total equity of the Company's shareholders. The amount of business transactions refers to the higher of the amount of purchase or sale between the two parties.

(b) From the Company to its subsidiaries: Not to exceed 50% of the Total equity of the Company's stockholders.

(c) The total amount of the Company's subsidiary's external endorsement guarantee is limited to ten times the Company's most recent net financial statements.

d. The limit of endorsement by a subsidiary to a single enterprise is as follows.

(a) The parent company holding 100% of the shares of the company shall be limited to not more than ten times the net value of the company's most recent financial statements.

(b) The endorsement of other related companies is limited to the net value of the company's most recent financial statements.

(c) The amount of business transactions with Nonrelated companies shall not exceed the total amount of business transactions between the two parties in the most recent year and shall not exceed the net value of the Company's most recent financial statements (the amount of business transactions refers to the higher of the amount of imports or sales between the two parties).

Note 4: The maximum balance of the current year's endorsement and guarantee for others.

Note 5: The amount approved by the board of directors should be entered, but if the board of directors authorizes the chairman of the board of directors to make the decision in accordance with Article 12, Paragraph 8 of the Guidelines Governing the Lending of Funds and Endorsements and Guarantees to Public Companies, it refers to the amount decided by the chairman of the board of directors.

Note 6: The amount of actual expenditures of the endorsed company within the scope of using the endorsement guarantee Balance should be entered.

Note 7: Y is required to be entered only for the listed parent company's endorsement and guarantee of its subsidiary, the subsidiary's endorsement and guarantee of the listed parent company, and the endorsement and guarantee of the Mainland China.

FEDERAL CORPORATION

Holding of marketable securities at the end of the peeriod (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Held by	Type and name of securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020 Number of Shares	Book value (Note 3)	Ownership	Fair Value	Note (Note 4)
The Company	Stock/Chiuoho Motor Co.Ltd.	-	Financial assets at fair value through other comprehensive income or loss	12,522	$ 222,420	6.32%	$ 222,420	-
〃	〃 /Ford Lio Ho Motor Company	-	〃	1,370,172	169,030	1.73%	169,030	-
〃	Beneficiary certificates/ Cathay Taiwan Money Market Fund	-	Financial Assets at fair value through profit or loss	3,593,187	45,038	-	45,038	-

Note 1: The marketable securities mentioned in this table refer to the marketable securities derived from stocks, bonds, Beneficiary certificates and the above items within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of marketable securities is a Relationship, the column is not filled in.

Note 3: If the securities are measured at fair value, please fill in the Balance in the Amount column after fair value adjustment and after deducting the accumulated Impairment; if the securities are not measured at fair value, please fill in the Balance in the Amount column after the original Cost of acquisition or after amortization of Cost less accumulated Impairment.

Note 4: If the listed securities are subject to restrictions due to the provision of guarantee, pledged loans or other contracts, the number of shares provided as guarantee or pledged loans, the amount of guarantee or pledged loans and the restrictions on use should be indicated in the Note column.

FEDERAL CORPORATION

Amount of acquisition or sale of goods with related parties reaching at least NT$100 million or 20 percent of the Compnay's paid-in capital

January 1 to December 31 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transactions				Circumstances and reasons why the transaction conditions are different from those of ordinary transactions		Notes, accounts receivable (payable)		
Purchaser (seller)	Name of the counterparty	Relationship	Purchase (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes and accounts receivable (payable)	Footnote
The Company	Federal Tire North America LLC.	Sub-subsidiary of the Company	Sales	$ 1,250,934	23	Open account 180 days	Subject to sales availability	180 days	$ 603,178	37	
Federal Tire North America LLC.	"	The Company	Purchase	(1,250,934)	100	Open account 180 days	Subject to sales availability	180 days	(603,178)	(100)	

FEDERAL CORPORATION

Receivables from related parties reaching NT$100 million or 20% of the paid-in capital or more

January 1 to December 31 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Name of the counterparty	Relationship	Creditor Balance (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
The Company	Federal Tire North America LLC.	Sub-Subsidiary of the Company	$ 603,178	2.50	$ -	-	$ 116,596	$ -

Note 1: If the terms of the related party's transaction are different from the normal terms of the transaction, the difference and the reasons for the difference should be stated in the unit price and credit period columns.

Note 2: If there is any advance receivable (prepayment), the reasons, contract terms, amounts and differences from the general transaction type should be stated in the Footnote column.

FEDERAL CORPORATION

Significant inter-company transactions during the reporting periods

January 1 to December 31 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	FEDEREX MARKETING CO., LTD.	1	Sales	$ 122,948	Note 4	2
"	〃	Federal Tire North America LLC.	〃	Sales	1,250,934	〃	22
"	〃	"	〃	Accounts Receivable	603,178	〃	4

Note 1: Information on business transactions between the parent company and subsidiaries should be indicated in the numbered column respectively, and the numbers should be completed as follows.

(1). Enter 0 for the parent company.

(2). The subsidiaries are numbered by company, starting with the Arabic numeral 1.

Note 2: There are three types of relationships with the counterparties as follows. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose the transaction repeatedly.

For subsidiary-to-subsidiary transactions, if one subsidiary has already disclosed the transaction, the other subsidiary does not need to disclose it repeatedly).

(1). Parent to subsidiary.

(2). Subsidiary to parent company.

(3). Subsidiaries to subsidiaries.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated as Ending Balance to consolidated total assets for asset Liabilities Item and as cumulative Amounts to consolidated total revenue for Profit and Loss Item.

Note 4: Sales are made at normal sales prices and terms, taking into account the number of transactions and market conditions, and the collection period is not materially different from that of normal customers.

Note 5: The transaction amount is not disclosed if it does not reach 1% of total assets or total revenue.

FEDERAL CORPORATION

Names, locations and other information of investee companies (not including investees in Mainland China)

January 1 to December 31 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial Investment Amount		Shareheld as at December 31, 2020					
Name of Investor	Name of investee company	Location	Main business activities	End of current year	End of past year	Shares	Ownership (%)	Book value(Note 1)	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Footnote
The Company	FEDEREX MARKETING CO., LTD.	Taiwan	Sales of various vehicle tire rims and parts	$ 190,000	$ 190,000	19,000,000	100%	$ 213,315	($ 10,893)	($ 10,893)	Subsidiary
〃	Tai Xin Construction Co., Ltd.	Taiwan	Commissioned builders to build residential and commercial buildings for lease and sale	330,000	330,000	33,000,000	100%	429,966	(7,501)	(7,501)	Subsidiary
〃	Tai Cheng Development Co., Ltd.	Taiwan	Commissioned builders to build residential and commercial buildings for lease and sale	160,000	160,000	16,000,000	100%	1,630,242	19,053	19,053	Subsidiary
〃	Federal International Holding Inc.	BVI	General Investment	2,149,877	2,149,877	65,331,062	100%	1,333,805	(12,379)	(12,379)	Subsidiary
〃	Highpoint Trading Ltd.	BVI	Sales of various types of vehicle tires	-	34,760	-	-	-	(319)	(319)	Subsidiary、(Note 2)
Federal International Holding Inc.	Amberg Investments Pte. Ltd.	Singapore	General Investment	2,072,937	2,072,937	103,494,400	100%	1,166,482	(22,781)	(22,781)	Sub-subsidiary
〃	Federal Tire North America LLC.	USA	General Investment	6,437	6,437	-	100%	53,241	9,210	9,210	Sub-subsidiary
〃	Winberg Investments Pte. Ltd.	Samoa	General Investment	3,192	3,192	-	100%	1,868	(104)	(104)	Sub-subsidiary、(Note 3)
〃	Chialilai Development Ltd	Hong Kong	Commercial buildings leaseingl businesses	74,566	74,566	2,000,000	100%	37,021	3,069	3,069	Sub-subsidiary

Note 1: Before deducting the amount of the Company's shares held by Ending subsidiaries as Treasury Stocks

Note 2: On December 26, 2019, Highpoint Trading Ltd. was liquidated by the board of directors (acting as the shareholders' meeting), and the liquidation process was completed on October 19, 2020.

Note 3: Winberg Investments Pte. Ltd. was liquidated by resolution of the board of directors (acting as the shareholders' meeting) on December 31, 2020, and the liquidation has not been completed as of December 31, 2020.

FEDERAL CORPORATION

Basic information on investments in Mainland China

January 1 to December 31 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland Chinae	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net profit (loss) of investee for the yar ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
Federal Tire (Jiangxi) Ltd.	Manufacturing and sale of various tires and rubber products	$ 2,149,974	2	$2,149,974	$ -	$ -	$2,149,974	($ 22,667)	100%	($ 22,667)	$1,105,085	$ -	-
Federal Tires (Shanghai) Limited	Sales of various vehicle tire rims and parts	941	〃	-	-	-	-	(37)	-	(37)	-	-	Note 4、5

Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ 2,149,974	$ 2,149,974	$ 4,526,055

Note 1: Investment methods are divided into the following three categories, and the labeling of each category is sufficient.

(1). Direct investment in mainland China

(2). Federal Tire (Jiangxi) Ltd.'s investment company in the third region is Amberg Investments Pte.

(3). Other method

Note 2: The financial statements were audited by a certified public accountant of the parent company in Taiwan.

Note 3: The relevant figures in this table should be presented in New Taiwan dollars.

Note 4: The investment of US$30,000 from Federal International Holding Inc. of the third region was used to establish Federal Tire (Shanghai) Co.

Note 5: Federal Tire (Shanghai) Co., Ltd. was liquidated on September 30, 2019 by resolution of the Board of Directors (acting as the shareholders' meeting), and the liquidation process was completed on May 28, 2020.

FEDERAL CORPORATION AND SUBSIDIARIES

Major shareholders' information

December 31, 2020

Table 8

Main Shareholder	Shares Ownership (Common Stocks)	Shareholdings (preferred stocks)	Shareholdings %
Nankang Rubber Tire Corp., Ltd.	93,688,000	-	19.79%
Tai Fu Investment Co Ltd.	27,692,991	-	5.85%

Note 1: (1) The information on major shareholders in this table is calculated by Tibco on the last business day of each quarter, and the total number of common and preferred shares held by shareholders of the Company that have been delivered without physical registration (including treasury shares) is 5% or more.

The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of calculation.

(2) The above information is revealed by the trustee's opening of a trust account with individual subaccounts of the trustee if the shareholder has delivered the shares to the trust. As for the shareholders' Ownership in excess of 10%, they are reported in accordance with the Securities and Exchange Act.

For information on insider ownership reporting, please refer to the Market Observation Post System.