Stock Code: 2102

Federal Corporation and Its Subsidiaries

Consolidated financial reports and auditor's report for the Years Ended December 31, 2021 and 2020

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Federal Corporation and Its Subsidiaries
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for the Years Ended December 31, 2021 and 2020

Representation Letter

The associates that are required to be included in Federal Corporation's consolidated financial statements as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements of associates is included in said consolidated financial statements. Consequently, a separate set of combined financial statements of associates will not be prepared.

It is hereby declared.

Federal Corporation

Person in Charge: Chiang, Ching-Hsing

March 15, 2022

Auditor's Report

NO.23931100CA

To Federal Corporation,

Opinion

We have reviewed the accompanying consolidated balance sheets of Federal Corporation (the "Company") and its subsidiaries (collectively, the "Group") for the years ended December 31, 2021 and 2020 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial report presents fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and for the years then ended, and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of

China. Our responsibility under those standards are further described in the paragraph “Auditor's responsibilities for the audit of the consolidated financial report”. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial report of the Group for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the consolidated financial report as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial report of the Group for the year ended December 31, 2021, are stated as follows:

Valuation of inventories

Please refer to Note 4(6) to the consolidated financial report for the accounting policy on inventories; please refer to Note 5 to the consolidated financial report for the uncertainty of accounting estimates and assumptions of valuation of inventories; please refer to Note 6(6) to the consolidated financial report for the description of the accounting of inventories.

The Group’s main business includes the design, research and development, and sales of various types of tires. As the cost of inventories is susceptible to the price of raw materials, the competition in the tire industry in recent years has been fierce, and the U.S. sales market is affected by the anti-dumping duties in the final determination by the US Department of Commerce (DOC), the sales volume and sales price of tires are prone to fluctuations. The Group measures the inventories at the lower of cost or net realizable value and the inventories beyond a certain period of age at the net realizable value of goods of similar specifications.

As tires are the main products sold by the Group, and it involves subjective judgments when the management evaluates its net realizable value, which has a material impact on the valuation of inventories, valuation of inventories is listed as one of the key audit matters.

The audit procedures we mainly conducted:

1. Evaluated the reasonableness of the Company's accounting policies, such as the policy of inventory valuation loss or obsolescence.
2. Assessed whether the valuation of inventories has been in alignment with the Company's established accounting policies.
3. Obtained the statement of the net realizable value of inventories on the end of the financial reporting period, checked the data sources, such as the selling price of the goods or the purchase prices used for the net realizable values, and recalculated the allowance for inventory valuation losses to confirm that the accounting estimate was made in alignment with the policy.
4. Understood the process of inventory management, reviewed the annual inventory plan, and participated in annual inventory, while examining inventory details to evaluate the effectiveness of the management team's

distinguishing and control of obsolete inventories.

Assessment of impairment of property, plant and equipment

Please refer to Note 4(11) to the consolidated financial report for the accounting policy on impairment of non-financial assets; please refer to Note 5 to the consolidated financial report for the uncertainty of accounting estimates and assumptions of impairment of non-financial assets; please refer to Note 6(8) to the consolidated financial report for the description of the accounting of property, plant and equipment.

The industrial competition and the U.S. sales market is affected by the anti-dumping duties in the final determination by DOC have caused an impact on the Group's operations. As the assessment of impairment of property, plant and equipment requires an estimation of recoverable amounts through forecasting and discounting of future cash flows and this process itself is highly uncertain, the assessment of impairment of property, plant and equipment is one of our key audit matters.

The audit procedures we mainly conducted:

1. Understood the relevant policies and handling procedures for impairment assessment, and assessed the reasonableness of the management’s identification of cash-generating units with potential impairment.
2. Examined the reasonableness of the relevant assumptions regarding the Group’s recoverable amounts in an independent appraisal report issued by a third party and assessed the appraiser’s qualifications and independence.

Emphasis of matter

As stated in Note 6(7) to the consolidated financial report, Federal Corporation originally planned to dispose of the entire equity of Taicheng Development Co., Ltd. and Taixin Construction Co., Ltd., while after the

Intellectual Property Court ruled on August 4, 2021 that the claimant was allowed to provide guarantee for the counterparty Federal Corporation, the counterparty Federal Corporation was in a state of suspending the disposal until the lawsuit between both parties was confirmed. Later, both parties, through mediation by the court on October 13, 2021, agreed to proceed as the resolution adopted by the extraordinary shareholders' meeting of the counterparty Federal Corporation on October 15, 2021 to dispose of the equity (or land of Zhongli Plant) of subsidiaries, Taicheng Development Co., Ltd. and Taixin Construction Co., Ltd. Federal Corporation, as approved by the extraordinary shareholders' meeting on October 15, 2021, disposed of the land of the subsidiaries Taicheng Development Co., Ltd. and Taixin Construction Co., Ltd. through public bidding. We did not revise our audit opinion accordingly.

Other matters

The Group's consolidated financial report for the year ended December 31, 2020 was audited by other CPAs, by whom an audit report with an unqualified opinion was issued on March 26, 2021.

The Company has also prepared the standalone financial report for the year ended December 31, 2021, for which we have issued an audit report with an unqualified opinion plus the emphasis of matter paragraph.

Responsibilities of the management and the governing bodies for the consolidated financial report

The responsibilities of the management are to prepare the consolidated financial report with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRSs endorsed and issued into effect by the FSC and to maintain necessary internal control associated with the preparation in order to ensure that the financial report is free from material misstatement arising from fraud or error.

In preparing the consolidated financial report, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group’s governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial report

Our objectives are to obtain reasonable assurance on whether the consolidated financial report as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial report, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial report; designed and executed

countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.

2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial report to pay attention to relevant disclosures in said report within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated financial report (including relevant notes), and whether the consolidated financial report adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial

information of entities within the Group, to express an opinion on the consolidated financial report. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Group.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial report for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Baker Tilly Clock & CO

Certified Public Accountant:____________________

Chou, Yin-Lai

Certified Public Accountant:____________________

Peng, Li-Chen

Approval Document No.: (80) Tai-Cai-Zeng-(VI) No. 53585

Jin-Guan-Zheng-Shen No. 1050025873

March 15, 2022

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and 2020

Unit: NTD thousand

Assets		Note	December 31, 2021		December 31, 2020	
Code	Account		Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6(1)	$ 1,280,779	11	$ 1,681,441	12
1110	Financial assets at fair value through profit or loss - current	4 and 6(2)	—	—	45,038	—
1136	Financial assets at amortized cost - current	4, 6(4), and 8	107,281	1	167,221	1
1150	Notes receivable, net	4 and 6(5)	65,674	1	31,380	—
1170	Accounts receivable, net	4 and 6(5)	286,685	2	1,155,058	8
1200	Other receivables	4 and 7	14,820	—	2,625	—
1220	Current income tax assets	4 and 6(26)	1,336	—	6,087	—
130x	Inventories	4 and 6(6)	554,843	5	957,573	7
1410	Prepayments		91,473	1	147,836	1
1460	Group of non-current assets held for sale and disposal	4 and 6(7)	2,521,231	22	694,880	5
1481	Right to products returned by customers - current	4 and 6(21)	—	—	172,472	1
1470	Other current assets		363	—	—	—
11xx	Total current assets		4,924,485	43	5,061,611	35
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	4 and 6(3)	—	—	391,450	3
1600	Property, plant and equipment	4, 6(8), and 8	6,327,402	55	8,687,618	60
1755	Right-of-use assets	4 and 6(9)	52,474	—	44,050	—
1760	Investment property	4 and 6(10)	82,730	1	62,838	—
1780	Intangible assets	4 and 6(11)	14,600	—	10,531	—
1840	Deferred tax assets	4 and 6(26)	92,508	1	99,811	1
1920	Guarantee deposits paid	8	48,022	—	44,641	—
1900	Other non-current assets	6(12)	29,408	—	173,255	1
15xx	Total non-current assets		6,647,144	57	9,514,194	65
1xxx	Total assets		$ 11,571,629	100	$ 14,575,805	100

(Continued on next page)

Federal Corporation and Its Subsidiaries

Consolidated Balance Sheets (Continued)

December 31, 2021 and 2020

Unit: NTD thousand

Liabilities and Equity		Note	December 31, 2021		December 31, 2020	
Code	Account		Amount	%	Amount	%
	Current liability					
2100	Short-term borrowings	6(13)	$ 1,050,550	9	$ 927,510	6
2130	Contract liabilities - current	4 and 6(21)	24,518	—	36,515	—
2150	Notes payable	6(14)	10,467	—	12,606	—
2170	Accounts payable	6(14)	57,162	—	298,493	2
2200	Other payables	6(15)	167,775	2	654,552	5
2230	Current income tax liabilities	4 and 6(26)	88	—	2,561	—
2250	Provision - current	4 and 6(16)	94,737	1	41,589	—
2260	Liabilities directly related to the group held for sales and disposal	4 and 6(7)	—	—	63,615	1
2280	Lease liabilities - current	4 and 6(9)	10,888	—	13,692	—
2322	Long-term borrowings - current portion	6(17)	306,550	3	297,593	2
2365	Refund liabilities - current	4 and 6(21)	13,871	—	137,288	1
2300	Other current liabilities		47,713	1	45,432	—
21xx	Total current liability		1,784,319	16	2,531,446	17
	Non-current liability					
2540	Long-term borrowings	6(17)	3,810,069	33	3,805,271	26
2570	Deferred tax liabilities	4 and 6(26)	608,065	5	537,415	4
2580	Lease liabilities - non-current	4 and 6(9)	19,918	—	7,732	—
2640	Net defined benefit liability - non-current	4 and 6(18)	39,138	—	146,780	1
2645	Guarantee deposits received		2,095	—	3,736	—
25xx	Total non-current liability		4,479,285	38	4,500,934	31
2xxx	Total liability		6,263,604	54	7,032,380	48
	Total equity	6(19)				
3110	Ordinary share capital		4,733,292	41	4,733,292	32
3200	Capital reserve		156,764	1	156,764	1
	Retained earnings					
3310	Legal reserve		736,014	6	732,944	5
3320	Special reserve		1,913,109	17	1,911,517	13
3350	Undistributed earnings (deficit to be compensated)		(1,823,383)	(15)	30,708	—
3400	Other equity		(224,736)	(2)	161,235	2
3500	Treasury stock		(183,035)	(2)	(183,035)	(1)
31xx	Total equity attributable to owners of the parent company		5,308,025	46	7,543,425	52
3xxx	Total equity		5,308,025	46	7,543,425	52
	Total liabilities and Equity		$ 11,571,629	100	$ 14,575,805	100

(Please refer to the Notes to the Consolidated Financial Report)

Chairman: Chiang, Ching-Hsing Manager: Chiang, Ching-Hsing Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries

Consolidated Statement of Comprehensive Income

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Code	Item	Note	2021			2020		
				Amount	%		Amount	%
4000	Operating revenue	4 and 6(21)	$	1,561,241	100	$	5,704,663	100
5000	Operating cost	6 (6 and 27) and 7		(2,296,075)	(147)		(4,402,644)	(77)
5900	Gross profit (loss)			(734,834)	(47)		1,302,019	23
6000	Operating expenses	6 (27)						
6100	Marketing expense			(514,611)	(33)		(669,147)	(12)
6200	Management expense			(467,527)	(30)		(273,878)	(4)
6300	R&D expense			(126,821)	(8)		(123,761)	(2)
6450	Expected credit impairment gain or loss	6(5)		(4,360)	—		11,985	—
	Total operating expenses			(1,113,319)	(71)		(1,054,801)	(18)
6900	Operating income (loss)			(1,848,153)	(118)		247,218	5
7000	Non-operating revenues and expenses							
7100	Interest income	6 (22)		5,839	—		8,180	—
7010	Other income	6 (3 and 23)		23,889	2		15,037	—
7020	Other gains and losses	6 (2, 8, and 24)		(418,877)	(27)		(62,773)	(1)
7050	Financial costs	6 (25)		(63,641)	(4)		(64,779)	(1)
	Total non-operating income and expenses			(452,790)	(29)		(104,335)	(2)
7900	Net income (loss) before tax			(2,300,943)	(147)		142,883	3
7950	Income tax expense	4 and 6(26)		(49,021)	(3)		(31,406)	(1)
8200	Net income (loss) for the period			(2,349,964)	(150)		111,477	2
8300	Other comprehensive income							
8310	Items not reclassified to profit or loss:							
8311	Remeasurement of defined benefit plans	4 and 6(18)		38,008	2		(20,541)	—
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	4 and 6(19)		97,993	6		124,373	2
8360	Items that may subsequently be reclassified to profit or loss							
8361	Exchange differences on translation of the financial statements of foreign operations	4 and 6(19)		(11,970)	(1)		8,326	—
	Other comprehensive income for the period (post-tax profit or loss)			124,031	7		112,158	2
8500	Total comprehensive income for the period		$	(2,225,933)	(143)	$	223,635	4
8600	Net income attributable to:							
8610	Owners of parent		$	(2,349,964)	(150)	$	111,477	2
8700	Total comprehensive income attributable to:							
8710	Owners of parent		$	(2,225,933)	(143)	$	223,635	4
	Earnings (loss) per share (NTD)	6(20)						
9750	Basic			$ (5.11)			$ 0.24	
9850	Diluted			$ (5.11)			$ 0.24	

(Please refer to the Notes to the Consolidated Financial Report)

Chairman: Chiang, Ching-Hsing Manager: Chiang, Ching-Hsing Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries

Consolidated Statement of Changes in Equity

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Item	Attributable to owners of the parent company								Total equity
			Retained earnings			Other equity items			
	Ordinary share capital	Capital reserve	Legal reserve	Special reserve	Undistributed earnings (deficit to be compensated)	Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Treasury stock	
Balance on January 1, 2020	$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	$ (60,228)	$ (221,092)	$ 249,628	$ (183,035)	$ 7,319,790
Current net profits	—	—	—	—	111,477	—	—	—	111,477
Other comprehensive income for the period	—	—	—	—	(20,541)	8,326	124,373	—	112,158
Total comprehensive income for the period	—	—	—	—	90,936	8,326	124,373	—	223,635
Balance on December 31, 2020	$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	$ 30,708	$ (212,766)	$ 374,001	$ (183,035)	$ 7,543,425
Balance on January 1, 2021	$ 4,733,292	$ 156,764	$ 732,944	$ 1,911,517	$ 30,708	$ (212,766)	$ 374,001	$ (183,035)	$ 7,543,425
Earnings appropriation and distribution:									
Provision for legal reserve	—	—	3,070	—	(3,070)	—	—	—	—
Provision for special reserve	—	—	—	1,592	(1,592)	—	—	—	—
Cash dividends of ordinary shares	—	—	—	—	(9,467)	—	—	—	(9,467)
Current net loss	—	—	—	—	(2,349,964)	—	—	—	(2,349,964)
Other comprehensive income for the period	—	—	—	—	38,008	(11,970)	97,993	—	124,031
Total comprehensive income for the period	—	—	—	—	(2,311,956)	(11,970)	97,993	—	(2,225,933)
Disposal of investment in equity instruments at fair value through other comprehensive income	—	—	—	—	471,994	—	(471,994)	—	—
Balance on December 31, 2021	$ 4,733,292	$ 156,764	$ 736,014	$ 1,913,109	$ (1,823,383)	$ (224,736)	$ —	$ (183,035)	$ 5,308,025

(Please refer to the Notes to the Consolidated Financial Report)

Chairman: Chiang, Ching-Hsing　　Manager: Chiang, Ching-Hsing　　Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Item	2021	2020
Cash flow from operating activities		
Net income (loss) before tax for the period	$ (2,300,943)	$ 142,883
Adjustments:		
Income and expenses		
Depreciation expense	469,640	444,561
Amortization expense	59,855	85,264
Expected credit impairment loss (gain)	4,360	(11,985)
Net gain on financial assets at fair value through profit or loss	(100)	(1,290)
Interest expense	63,641	64,779
Interest income	(5,839)	(8,180)
Dividend income	(6,324)	(6,324)
Gain on disposal of property, plant and equipment	(8,787)	(665)
Amount of property, plant and equipment reclassified to expenses	4,922	—
Impairment losses on non-financial assets	352,008	—
Gain on adjustment to fair value of investment property	(22,364)	(5,479)
Lease modification loss	77	—
Changes in assets/liabilities related to operating activities:		
Financial assets mandatorily at fair value through profit or loss	—	1,915
Notes receivable	(34,300)	8,141
Accounts receivable	736,361	(126,934)
Other receivables	(12,230)	(2,364)
Inventories	575,202	(99,042)
Prepayments	56,440	(29,136)
Other current assets	(363)	—
Contract liabilities	(11,997)	10,988
Notes payable	(2,139)	(12,251)
Accounts payable	(241,331)	48,507
Other payables	(349,949)	192,125
Provision	53,148	—
Other current liabilities	2,276	(31,496)
Net defined benefit liability	(69,634)	(22,936)
Cash inflow (outflow) from operations	(688,370)	641,081
Interest received	5,874	8,182
Dividends received	6,324	6,324
Interest paid	(64,336)	(65,637)
Income tax paid (refunded)	(21,287)	4,028
Net cash inflow (outflow) from operating activities	(761,795)	593,978

(Continued on next page)

Federal Corporation and Its Subsidiaries

Consolidated Statement of Cash Flows (Continued)

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Item	2021	2020
Cash flow from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	$ 489,443	$ —
Financial assets at amortized cost acquired	(242,313)	(103,664)
Financial assets at amortized cost disposed of	299,016	—
Financial assets mandatorily at fair value through profit or loss acquired	(45,000)	(45,000)
Financial assets mandatorily at fair value through profit or loss disposed of	90,138	—
Property, plant and equipment acquired	(369,391)	(282,947)
Property, plant and equipment disposed of	54,254	705
Increase in guarantee deposits paid	(52,837)	(6,013)
Decrease in guarantee deposits paid	49,370	6,204
Intangible assets acquired	(3,895)	—
Right-of-use assets acquired	(346)	—
Increase in other non-current assets	(21,855)	(127,845)
Net cash inflow (outflow) from investing activities	246,584	(558,560)
Cash flow from financing activities:		
Increase in short-term borrowings	123,040	410,435
Long-term borrowings	190,510	115,969
Repayment of long-term borrowings	(176,755)	(188,833)
Increase in guarantee deposits received	105	183
Decrease in guarantee deposits received	(1,737)	(36)
Repayment of lease principal	(15,077)	(18,094)
Cash dividends paid out	(9,455)	—
Net cash inflow from financing activities	110,631	319,624
Effect of changes in exchange rates on cash and cash equivalents	1,680	3,203
Increase (decrease) in cash and cash equivalents in the period	(402,900)	358,245
Opening balance of cash and cash equivalents	1,683,679	1,325,434
Ending balance of cash and cash equivalents	$ 1,280,779	$ 1,683,679
Reconciliation of cash and cash equivalents at the end of the period		
Cash and cash equivalents in the balance sheet	$ 1,280,779	$ 1,681,441
Cash and cash equivalents classified to the group held for sale and disposal	—	2,238
Ending balance of cash and cash equivalent	$ 1,280,779	$ 1,683,679

(Please refer to the Notes to the Consolidated Financial Report)

Chairman: Chiang, Ching-Hsing Manager: Chiang, Ching-Hsing Chief of Accounting Officer: Li, Hsin-Yu

Federal Corporation and Its Subsidiaries

Attachments to the Consolidated Financial Report

for the Years Ended December 31, 2021 and 2020

(Unit: In NTD thousands, unless stated otherwise)

I. Brief account of the Company

Federal Corporation (hereinafter referred to as the "Company") was incorporated in November 1955, formerly known as Federal Rubber Industry Co., Ltd., and was renamed Federal Corporation in October 1969. The Company's stock has been listed on the Taiwan Stock Exchange since July 1979. The Group's principal business is the manufacturing and sales of automobile tires and rubber.

The consolidated financial report are presented in New Taiwan dollars (NTD), which is the Company's functional currency.

II. The date when the financial reports were authorized for issuance and the process involved in authorizing the financial reports for issuance.

The consolidated financial report was approved by the Board of Directors on March 15, 2022.

III. Application of new and revised IFRSs

(I) The effect of the adoption of the newly and revised IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The table lists the newly, revised, and amended standards and interpretations of the IFRSs endorsed by the FSC that apply in 2021 onward:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 4 (Deferral of effective date of IFRS 9)	January 1, 2021

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021
Amendment to IFRS 16 (COVID-19-Related Rent Concessions After June 30, 2021)	April 1, 2021 (Note)

Note: The FSC allows early application on January 1, 2021.

The above standards and interpretations have no material impact on the Group's financial position and financial performance based on its assessment.

(II) The effect of not adopting the new or revised IFRSs endorsed by the FSC

The table lists the newly, revised, and amended standards and interpretations of the IFRSs endorsed by the FSC that apply in 2022 onward:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 3 (Reference to the Conceptual Framework)	January 1, 2022
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 IFRSs 2018-2020 Cycle	January 1, 2022

The above standards and interpretations have no material impact on the Group's financial position and financial performance based on its assessment.

(III) The effect of IFRSs issued by the IASB but not yet endorsed by the FSC

The table lists the newly, revised, and amended standards and interpretations of the IFRSs issued by the IASB but not yet endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined by IASB

New/Revised/Amended Standards and Interpretations	Effective date announced by IASB
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9—Comparative Information)	January 1, 2023
Amendments to IAS 1 (Classification of Liabilities as Current or Non-Current)	January 1, 2023
Amendments to IAS 1 (Disclosure of Accounting Policies)	January 1, 2023
Amendments to IAS 8 (Definition of Accounting Estimates)	January 1, 2023
Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)	January 1, 2023

The above standards and interpretations have no material impact on the Group's financial position and financial performance based on its assessment.

IV. Summary of significant accounting policies

The Group's summary of significant accounting policies is as follows:

(I) Statement of compliance

The consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial report has been prepared on the historical cost basis except for the financial instruments at fair value, investment property, and the net defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of plan assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial report are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial report:

This consolidated financial report includes the financial reports of the Company and the entities (subsidiaries) controlled by the Company.

The Consolidated Statement of Comprehensive Income has included the operating profit or loss of the subsidiaries acquired or disposed of from the acquisition date or to the disposal date in the period.

Subsidiaries’ financial reports have been adjusted to align their accounting policies with those used by the Group.

Transactions between entities, account balances, and income and losses have all been eliminated when this consolidated financial report was prepared.

When a change in the Group’s ownership interest in a subsidiary does not lead to the loss of the Group’s control, it is treated as an equity transaction. The carrying amounts of the Group’s interests and the non-controlling interests have been adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

When the Group loses control over a subsidiary, the disposal gain or loss is the difference between: (1) the fair value of the consideration received and the fair value of the remaining investment in said subsidiary on the date of loss of control, and (2) the carrying amounts of the assets (including goodwill), liabilities, and non-controlling interests of said subsidiary on the date of loss of control. The accounting treatment of all amounts related to said subsidiary recognized in other comprehensive income by the Group is the same adopted for direct disposal of the relevant assets or liabilities.

2. Subsidiaries included in the consolidated financial report:

Details of the Company's subsidiaries as at the end of the reporting period are as follows:

Investor	Subsidiary	Nature of business	Percentage of equity held (%)		Explanation
			December 31, 2021	December 31, 2020	
The Company	Federex Marketing Co., Ltd. (Federex)	Sales of various vehicle tire wheels and spare parts	100.00	100.00	-
The Company	Taixin Construction Co., Ltd. (Taixin)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	-
The Company	Taicheng Development Co., Ltd. (Taicheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	100.00	-
The Company	Federal International Holding.Inc.(FIH)	General investment	100.00	100.00	-

Investor	Subsidiary	Nature of business	Percentage of equity held (%)		Explanation
			December 31, 2021	December 31, 2020	
The Company	Rongcheng Development Co., Ltd. (Rongcheng)	Contracting of builders to build residential buildings and lease and sale of property	100.00	—	Note 2
FIH	Federal Tire North America LLC.(FTNA)	Distribution of tires	100.00	100.00	-
FIH	Karroy Development Limited (Karroy)	Commercial building rental business	100.00	100.00	-
FIH	Winberg Investments Pte.Ltd(Winberg)	General investment	—	100.00	Note1
FIH	Amberg Investments Pte.Ltd.(Amberg)	General investment	100.00	100.00	-
Amberg	Federal Tire (Jiangxi) Co., Ltd. (Federal Tire (Jiangxi))	Production and sales of various tires and rubber products	100.00	100.00	-

Note 1: Winberg was liquidated on December 31, 2020 as per the resolution adopted by the Board of Directors (on behalf of the shareholders' meeting), and the liquidation process was completed on October 25, 2021.

Note 2: The Company's Board of Directors approved subsidiary (wholly-owned investee) Taicheng's plan for a demerger to establish Rongcheng in accordance with the Business Mergers and Acquisitions Act on March 26, 2021, and Rongcheng was approved for establishment on September 14, 2021.

3. Subsidiaries not included in the consolidated financial report: None.

4. Adjustments and treatment methods for subsidiaries' different accounting periods: None.

5. Significant restrictions: None.

6. Subsidiaries with significant non-controlling interests in the Group: None.

(IV) <u>Criteria for classification of current and non-current assets and liabilities</u>

1. Assets that meet one of the following criteria are classified as current assets, otherwise are non-current assets:

(1)Assets expected to be realized in the ordinary course of business, or intended to be sold or consumed.

(2) Assets held primarily for the purpose of trading.

(3) Assets expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

2. Liabilities that meet one of the following criteria are classified as current liabilities, otherwise are non-current liabilities:

(1) Liabilities expected to be settled in the ordinary course of business.

(2) Assets held primarily for the purpose of trading.

(3) Liabilities expected to be settled within 12 months after the balance sheet date.

(4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

(V) <u>Foreign currencies</u>

In preparing the financial report of each individual entity in the Group, transactions in currencies other than the entity’s functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Foreign currency non-monetary items measured at fair value are translated at the exchange rate prevailing on the date when the fair value is determined, and the resulting exchange difference is recognized in current profit and loss, except for changes in fair value recognized in other comprehensive income, for which the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing this consolidated financial report, the assets and liabilities of the Company and its foreign operations (including subsidiaries that operate in countries or adopt the functional currencies different from the Company) are translated into NTD. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income.

If the Group disposes of ownership interests in a foreign operation, all cumulative exchange differences associated with that foreign operation will be reclassified to profit or loss.

(VI) Inventories

The value of inventories shall be measured at the lower of the cost or the net realizable value. The cost of inventories is calculated using the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(VII) Group of non-current assets held for sale and disposal

Non-current assets (or groups held for disposal) are classified as assets held for sale when the carrying amount is expected to be recovered primarily through a sale transaction rather than continuous use. Non-current assets (or groups held for disposal) in alignment this definition must be available for immediate sale in the current state with their sale highly probable. A sale is highly probable when an appropriate level of management promises a plan to sell the asset, and the sale is expected to be completed within one year from the date of classification.

If the control over a subsidiary will be lost upon the sale, regardless of whether non-controlling interests in said subsidiary after the sale are retained, the subsidiary's all the assets and liabilities are classified as the group held for sale.

Non-current assets (or groups held for disposal) classified as the group held for sale are measured at the lower of the carrying amount or fair value less costs of sales, with depreciation of such assets discontinued.

(VIII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost less accumulated impairment loss. Costs include professional service fees and borrowing costs eligible for capitalization.

Such assets shall be classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation shall begin.

Except for self-owned land, property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Group shall conduct at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Investment property

Investment property refers to property held for the purpose of earning rents or capital appreciation or both. Investment property also includes land held for undetermined future use.

Self-owned investment property is initially measured at cost (including transaction cost). Investment property is subsequently measured at fair value, and changes in fair value are recognized in profit or loss in the period in which they occur.

When derecognizing investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(X) Intangible assets

1. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively.

2. Derecognition

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(XI) Impairment of non-financial assets

The Group assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use, investment property, and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the cash-generating unit, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets measured at FVTPL are those mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Group has not designated to measure at FVTOCI, investments in debt instruments classified as those measured at amortized cost or at fair value through other comprehensive income. Financial assets measured at FVTPL are measured at fair value; the gain or loss arising from its remeasurement is recognized in profit or loss.

B. Financial assets at amortized cost

If the Group invests in financial assets in alignment with both of the following two criteria, such assets are classified as financial assets measured by amortized cost:

(a) Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and

(b) The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable at amortized cost, accounts receivable, and other receivables), after initial recognition, are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss; and any foreign currency exchange gains or losses are recognized in profit or loss.

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

(a) For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

(b) For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Cash equivalents include time deposits and notes under repurchase agreement, highly liquid and readily convertible into a fixed amount of cash at any time within 3 months from the date of acquisition while featuring little risk of value changes, which are used to meet short-term cash commitments.

C. Investments in equity instruments at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends on investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

A. The Group assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable).

B. Accounts receivable are recognized in allowance for losses based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month ECLs. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime ECLs.

C. The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

(3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOC in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity as per the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instrument is any contract that recognizes the Group's remaining equity after the assets have been deducted from all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

(2) Financial liabilities

Financial liabilities that are not held for trading and are not designated as measured at FVTPL (including payables) are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost in the effective interest rate method.

(3) Derecognition of financial liabilities

The Group derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled, or expired.

When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(XIII) Provision

When the Group has a present obligation (legal or constructive) due to past events, and it is probable that the obligation need to be settled, and when the amount of the obligation can be estimated reliably, it shall recognize it in provision. The amount recognized in provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, with the risks and uncertainties of the obligation considered. The provision is measured with the discounted cash flows estimated to settle the obligation.

(XIV) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Revenue from sale of goods

1. Revenue from the sale of goods comes from the manufacturing and sales of tires and relevant products. Revenue from the sale of goods is recognized when the control over goods has been passed to the customer, i.e. when the goods have been delivered to the customer and the Group has no outstanding performance obligations that could affect the customer's acceptance of the goods. When the goods arrive at the place designated by the customer, the customer has the right to set the price and the way the goods are used, while bearing the main responsibility for resale and the risk of obsolescence, upon which the Group recognized such goods in revenue and account receivable. Advance receipts received prior to the delivery of goods are recognized as contract liabilities.
2. Revenue from the sale of goods is measured at fair value of the consideration received or receivable, less estimated customer returns, discounts, and other similar discounts. The Group, based on historical experience and other known reasons, estimates potential sales returns and discounts and recognizes them in refund liabilities and right to products returned by customers
3. The Group provides standard warranty for the products it sells and is obliged to refund the defective goods, and recognizes them in provision when the goods are sold.

(XV) Leasing

The Group assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract.

1. The Group as a lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

   Under operating leases, lease payments, less lease incentives, are recognized in income on a straight-line basis over the relevant lease term.

2. The Group as a lessee

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

   The right-of-use assets are initially measured at cost (including the initially measured amount of the lease liability, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost, and the estimated cost of restoring the asset) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of the lease liability is adjusted.

   Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term or changes in indices or rates used to determine lease payments lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount expected to be paid and are recognized as an expense when the relevant services are rendered.

2. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses 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.

(2) Defined benefit plan

The net obligation under the defined benefit plan is calculated by discounting the amount of future benefits earned by employees in the current or past service period, with the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is the market yield rate of government bonds (at the balance sheet date) with the currency and period consistent with those of the defined benefit plan at the balance sheet date. The remeasurement generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings. The relevant expenses of the service cost in prior periods are recognized in profit and loss immediately.

3. Post-employment benefits

Post-employment benefits are benefits provided when an employee's employment is terminated before the normal retirement date or when the employee decides to accept the benefits offered by the Company in exchange for termination of employment. The Group recognizes expenses when it is no longer able to withdraw the offer of post-employment benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

(XVII) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investments using specific borrowings before qualifying capital expenditures occurs is deducted from the qualifying borrowing costs for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they occurred.

(XVIII) Income tax

The income tax expense represents the sum of the current income tax and deferred tax.

1. Current income tax

The Group determines the income (loss) of the year in accordance with the laws and regulations in each jurisdiction for income tax declaration and calculates the income tax payable (recoverable) accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income. All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are accounted for when there are likely to be taxable income to deduct temporary differences or loss carryforwards.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Group at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

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

(V) Critical accounting judgments and key source of estimation and uncertainty

In the application of the Group's accounting policies as stated in Note 4, the management is required to make judgments, estimations, and assumptions about the relevant information on the carrying amounts of assets and liabilities that is not readily accessible from other sources based on historical experience and other relevant factors. Estimates and relevant assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from these estimates.

The management will constantly review the estimates and basic assumptions. If a revision of an estimate only affects the current period, it is recognized in the period in which the revision occurs. If a revision of an accounting estimate affects the current period and future periods, it is recognized in the period in which the revision occurs and future periods.

Sources of the Group’s critical accounting judgments and key source of estimation and uncertainty are as follows:

(I) Inventory valuation

As inventories are measured at the lower of cost or net realizable value, the Group should exercise judgement and make estimates to determine the net realizable value of inventories at the end of the financial reporting period.

Due to rapid changes in the industry, the Group assesses the amounts of inventories at the end of the financial reporting period for normal wear and tear, obsolescence, or no market value, and writes down the cost of inventories to the net realizable value. This inventory valuation is mainly based on the estimated product needs in a specific period in the future, so there may be significant changes.

(II) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Group's assumptions about default rate and expected loss ratio. The Group considers historical experience, current market conditions, and forward-looking information to develop assumptions and select inputs for impairment assessments. Please refer to Note 6(5) for the critical assumptions and inputs used. If the actual cash flow in the future is less than expected, there may be significant impairment losses.

(III) Assessment of impairment of non-financial assets

In the process of asset impairment assessment, the Group needs to rely on subjective judgment and determine the independent cash flow of a specific asset group, the years of asset useful life, and potential future income and expenses based on asset use patterns and industry characteristics. Any changes in estimates due to changes in financial position or corporate strategies may result in a material impairment or reversal of recognized impairment losses in the future.

VI. Important accounting items and explanation

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 901	$ 1,675
Demand deposit and checking deposit	446,252	705,206
Cash equivalents		
Bank time deposit	438,302	378,184
Notes under repurchase agreement	395,324	596,376
Total	$ 1,280,779	$ 1,681,441

The financial institutions the Group deals with have high credit ratings. The Group also deals with various financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.

(II) Financial assets at FVTPL

	December 31, 2021	December 31, 2020
Current		
Mandatorily at FVTPL:		

	December 31, 2021	December 31, 2020
Fund beneficiary certificates	$ —	$ 45,038

The Group's financial assets at FVTPL recognized in net income in 2021 and 2020 are in the amounts of NT$100 thousand and NT$1,290 thousand, respectively (listed under "Other gains and losses").

(III) Financial assets at FVTOCI

Investment in equity instruments

	December 31, 2021	December 31, 2020
Non-current		
Domestic unlisted stocks -		
Chiuo Ho Automotive Sales Co., Ltd.	$ —	$ 222,420
Ford Lio Ho Motor Company	—	169,030
Total	$ —	$ 391,450

The Group invests in domestic unlisted stocks based on a medium- and long-term investment strategy, with the aim of making profits through long-term investment. The management believes that it would be inconsistent with said investment plan if the fluctuation of the fair value of these investments is recognized in profit or loss, so it has elected to designate it to be measured at fair value through other comprehensive income.

Dividend income recognized by the Group for 2021 and 2020 was both in the amount of NT$6,324 thousand, of which the amounts related to the investments derecognized at the end of the period were in the amounts of NT$6,324 thousand and NT$0, respectively. The investments currently held as of December 31, 2021 and 2020 were in the amounts of NT$0 and NT$6,324 thousand, respectively.

In 2021, the Group sold 12,522 shares of Chiuo Ho Automotive Sales Co., Ltd. and 1,370,172 shares of Ford Lio Ho Motor Company due to its financial planning. The fair values upon disposal were NT$255,232 thousand and NT$234,211 thousand, respectively, and the cumulative gains on disposal were NT$243,848 thousand and NT$228,146 thousand, respectively. Said cumulative gains on disposal were reclassified from other equity to retained earnings.

(IV) Financial assets at amortized cost

	December 31, 2021	December 31, 2020
Current		
Domestic investment		
Time deposit with initial duration of more than 3 months	$ 3,744	$ 1,156
Foreign investment		
Time deposit with initial duration of more than 3 months	93,070	153,449
Banks' acceptance bill guarantee accounts	10,467	12,606
	103,537	166,055
Total	$ 107,281	$ 167,221
Interest rate range	0.18%～2.25%	0.2%～2.25%

Please refer to Note 8 for information on guarantees provided for financial assets at amortized cost - current.

(V) Net amounts of notes receivable and accounts receivable

	December 31, 2021	December 31, 2020

Notes receivable				
From operations	$	65,674	$	31,380
Accounts receivable				
At amortized cost				
Total carrying amount	$	385,895	$	1,272,750
Less: Allowance for losses		(99,210)		(117,692)
	$	286,685	$	1,155,058

1. When a contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed the credit risks of the financial instrument significantly increased since the initial recognition; when a contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have been in default. To mitigate credit risk, the Group's management has assigned a team to be responsible for determining credit lines, approving credit, and monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue accounts receivable. In addition, the Group reviews the recoverable amount of accounts receivable one by one on the balance sheet date to ensure that the impairment losses have been recognized for unrecoverable accounts receivable properly.
2. The Group recognizes the allowance for losses for notes receivable and accounts receivable as per the lifetime ECLs. The lifetime ECLs are calculated using a provision matrix with reference to clients' past default records, current financial position, economic

situation in the industry, as well as the overall economic and industry outlook, and individual clients are grouped based on different risk levels, and allowance for losses is recognized as per each group's ECLs.

3. When there was information indicating that the counterparty was in severe financial difficulty and the Group could not reasonably expect the amount to be recovered, the Group would write off relevant accounts receivable and continued to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

4. The table below shows the Group's allowance for losses on accounts receivable:

December 31, 2021

(1) The operating segment is in the country:

	Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
ECLs	0.11%～0.5%	0.51%～1.43%	1.00%～20.51%	5.00%～43.39%	30.00%～71.71%	100%	
Total carrying amount	$ 236,952	$ 39,320	$ 1,606	$ －	$ 396	$ 33,081	$ 311,355
Allowance for losses (lifetime ECLs).	(483)	(596)	(656)	－	(209)	(33,081)	(35,025)
At amortized cost	$ 236,469	$ 38,724	$ 950	$ －	$ 187	$ －	$ 276,330

(2) The operating segments of groups A and B are in Asia; the operating segment of group C is in the Americas:

	Group A	Group B	Group C	Total
ECLs	33%	98%	0.11%～100%	
Total carrying amount	$ 3,112	$ 55,735	$ 15,693	$ 74,540
Allowance for	(1,027)	(54,667)	(8,491)	(64,185)

losses (lifetime ECLs).			(Note)	
At amortized cost	$ 2,085	$ 1,068	$ 7,202	$ 10,355

Note: The allowance for losses above was NT$8,491 thousand on the accounts of specific clients. After the recoverability of these accounts has been individually assessed, the full amount has been provided for the allowance for such losses.

December 31, 2020

(1) The operating segment is in the country:

	Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
ECLs	0%～0.11%	1.43%～5%	9%～21%	32%～43%	50%～72%	100%	
Total carrying amount	$ 896,250	$ 89,821	$ 3,431	$ —	$ —	$ 56,046	$ 1,045,548
Allowance for losses (lifetime ECLs).	(999)	(4,320)	(324)	—	—	(56,046)	(61,689)
At amortized cost	$ 895,251	$ 85,501	$ 3,107	$ —	$ —	$ —	$ 983,859

(2) The operating segments of groups A and B are in Asia; the operating segment of group C is in the Americas:

	Group A	Group B	Group C	Total
ECLs	37%	82%	—	
Total carrying amount	$ 14,828	$ 61,819	$ 150,555	$ 227,202
Allowance for losses (lifetime ECLs).	(5,424)	(50,579)	—	(56,003)
At amortized cost	$ 9,404	$ 11,240	$ 150,555	$ 171,199

5. The aging analysis of notes and accounts receivable is as follows:

	2021	
	Notes receivable	Accounts receivable
Not past due	$ 65,674	$ 244,240
Less than 30 days	—	43,733
31–90 days	—	3,301
91–180 days	—	1,007

181–365 days		—		396
Over 366 days		—		93,218
Total	$	65,674	$	385,895

	2020			
	Notes receivable		Accounts receivable	
Not past due	$	31,380	$	1,045,825
Less than 30 days		—		92,110
31–90 days		—		6,079
91–180 days		—		2,974
181–365 days		—		—
Over 366 days		—		125,762
Total	$	31,380	$	1,272,750

The aging analysis stated above is based on the number of overdue days.

6. The information on changes in allowance for losses on notes and accounts receivable is as follows:

	2021			
	Notes receivable		Accounts receivable	
Opening balance	$	—	$	117,692
Provision for impairment loss in this period		—		4,360
Write-off in this period		—		(22,427)
Effect of exchange rates		—		(415)
Ending balance	$	—	$	99,210

	2020			
	Notes receivable		Accounts receivable	
Opening balance	$	—	$	129,667
Reversal of impairment loss for this period		—		(11,985)
Write-off in this period		—		(793)
Effect of exchange rates		—		803
Ending balance	$	—	$	117,692

7. As of December 31, 2021 and 2020, the collateral held by the

Group for accounts receivable were property and time deposits, in the amounts of NT$29,355 thousand and NT$48,926 thousand, respectively.

(VI) Inventories

	December 31, 2021	December 31, 2020
Finished goods	$ 489,650	$ 527,781
Work in progress	39,537	93,885
Raw materials	176,328	168,853
Supplies	123,004	120,845
Merchandise inventories	32,215	26,065
Goods in transit	—	59,981
	860,734	997,410
Less: Allowance for inventory valuation and obsolescence losses	(305,891)	(39,837)
Total	$ 554,843	$ 957,573

The expenses and losses on inventories recognized in this period are as follows:

	2021	2020
Cost of inventory sold	$ 1,541,650	$ 4,397,606
Inventory valuation loss (gain from price recovery)	265,631	(12,166)
Unallocated overhead	461,927	—
Depreciation expense, house tax, and land value tax	15,274	17,286
Others	11,593	(82)
Total	$ 2,296,075	$ 4,402,644

1. The recovery of the net realizable value of the Group's inventory in 2020 was mainly due to the sale of the inventory that had been recognized in inventory valuation loss in previous years.

2. The inventory valuation losses recognized in 2021 were mainly due to the overall decline in orders received in the major market of

the U. S., caused by the anti-dumping duties in the final determination by DOC.

3. In 2021, the Group was affected by the anti-dumping duties in the final determination by DOC. To avoid inventory backlog, the Group's output decreased, leading to unallocated overhead.

4. Other gains and losses on inventories include income from sales of tailings, profit or loss on inventories, and scrapping of inventories.

(VII) Group of non-current assets held for sale and disposal

1. Non-current assets held for sales

	December 31, 2021	December 31, 2020
Land	$ 2,475,615	$ —
Buildings	226,918	—
Machinery and equipment	—	2,436,583
Less: Accumulated depreciation	(181,302)	(2,267,578)
Total	$ 2,521,231	$ 169,005

(1) The Group’s Board of Directors resolved a decision on June 15, 2021 and November 13, 2019 to dispose of the entire equity or land of subsidiary Taicheng and the entire equity of Taixin. In addition, the Company’s Board of Directors resolved a decision on July 22, 2021 to dispose of the entire equity of Taicheng and Taixin through public bidding. However, the Company’s shareholder Nankang Rubber Tire Corp., Ltd. (Nankang Rubber Tire) filed a petition with the Intellectual Property Court for the suspension of said disposal. The court ruled on August 4, 2021 that the claimant (Nankang Rubber Tire) was allowed to pay NT$1,550,000 thousand or provide guarantee for the same amount of bearer negotiable certificate of deposit or Hua Nan Commercial Bank's promissory notes, and that the Company and Nankang Rubber Tire were prohibited from public bidding and transfer of the shares of Taicheng and Taixin before the lawsuit is concluded. Both parties, through mediation by the court on

October 13, 2021, agreed to proceed as the resolution adopted by the extraordinary shareholders' meeting of the Company on October 15, 2021 to dispose of the equity (or land of Zhongli Plant) of subsidiaries, Taicheng and Taixin.

The Group’s extraordinary shareholders' meeting on October 15, 2021, to accelerate the prosperity of Zhongli and revitalize the Company's assets, originally planned to dispose of the entire equity of the subsidiaries, Taicheng and Taixin, but approved to dispose of Taicheng and Taixin’s Zhongli Plant land through public bidding. As the company Taicheng needed to have two or more owners to qualify for the rezoning of its own land, it completed a demerger to establish Rongcheng in accordance with the Business Mergers and Acquisitions Act on September 14, 2021. On December 9, 2021, the Company’s Board of Directors resolved a decision to include subsidiary Rongcheng’s Zhongli Plant land for disposal, and the Group reclassified said land and plant to non-current assets held for sale. The Group signed a contract with Cushman & Wakefield Limited, Taiwan Branch, on January 19, 2022, as resolved the Company’s Board of Directors, to entrust it to handle the public bidding procedures and relevant matters of part of the land and buildings. When the land and plant were classified as non-current assets held for sale, there was no impairment loss that should be recognized, and they were not impaired as of December 31, 2021.

(2) The Board of Directors of Federal Tire (Jiangxi) Co., Ltd., on March 22, 2019, resolved a decision to sell the relevant production segment for the Group’s best interests as it was in a state of loss without the cost advantage existing, and the relevant assets were reclassified to non-current assets held for sale. Due to the outbreak of the COVID-19 pandemic in China and spread to the world, the overall market is affected, and the Group’s

expected completion of the sale of relevant equipment was delayed. Although the Group actively engaged in the relevant sales, it was still unable to successfully complete the disposal within two years. Therefore, the relevant assets were reclassified back to property, plant and equipment in 2021.

This non-current asset held for sale is a business segment in Asia. This non-current asset held for sale is re-measured at the lower of its book value or fair value less cost of sale, and it was not impaired in 2020.

2. Group held for sale and disposal

The Group's Board of Directors resolved a decision, on November 13, 2019, to dispose of the entire equity of subsidiary Taixin. The assets and liabilities related to Taixin have been reclassified to the group held for sale and disposal, and are in alignment with the definition of a discontinued operation and presented as a discontinued operation. However, as mentioned in Note 6(7), as of December 31, 2021, as it no longer met the definition of group held for sale and disposal and a discontinued operation on December 31, 2021, the Group restated the 2020 consolidated statement of comprehensive income.

(1) The main categories of assets and liabilities of the disposal group for sale are as follows:

	December 31, 2021	December 31, 2020
Cash flow	$ —	$ 2,238
Current income tax assets	—	1

	December 31, 2021	December 31, 2020
Property, plant and equipment	—	513,946
Right-of-use assets	—	1,172
Deferred tax assets	—	8,318
Guarantee deposits paid	—	200
Total amount of group held for sale and disposal	$ —	$ 525,875

	December 31, 2021	December 31, 2020
Other payables	$ —	$ 306
Lease liabilities - current	—	1,190
Other current liabilities	—	5
Deferred tax liabilities	—	62,114
Total amount of liabilities directly related to the group held for sales and disposal	$ —	$ 63,615

(2) The information on cash flows from the discontinued operation is as follows:

	2020
Operating activities	$ (3,755)
Financing activities	214
Total cash flow	$ (3,541)

(VIII) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Unfinished construction	Total
January 1, 2021							
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
2021							
January 1	$ 3,435,926	$ 1,423,030	$ 3,237,070	$ 98,297	$ 319,601	$ 173,694	$ 8,687,618

	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Unfinished construction	Total
Addition	—	1,170	220,400	1,327	64,718	65,745	353,360
Disposal	(24,821)	(18,526)	(20)	(1,948)	(229)	—	(45,544)
Reclassification	(1,972,719)	(34,566)	168,075	—	—	(19,669)	(1,858,879)
Depreciation expense	—	(58,947)	(251,397)	(24,444)	(118,680)	—	(453,468)
Impairment loss	—	—	(310,418)	(3,648)	(37,942)	—	(352,008)
Effect of exchange rates	(1,442)	(2,093)	(23)	(57)	(62)	—	(3,677)
December 31	$ 1,436,944	$ 1,310,068	$ 3,063,687	$ 69,527	$ 227,406	$ 219,770	$ 6,327,402
December 31, 2021							
Cost	$ 1,436,944	$ 1,669,957	$ 8,848,864	$ 296,179	$ 1,835,530	$ 219,770	$ 14,307,244
Accumulated depreciation and impairment	—	(359,889)	(5,785,177)	(226,652)	(1,608,124)	—	(7,979,842)
	$ 1,436,944	$ 1,310,068	$ 3,063,687	$ 69,527	$ 227,406	$ 219,770	$ 6,327,402

	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Unfinished construction	Total
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
<u>2020</u>							
January 1	$ 3,424,491	$ 1,449,697	$ 3,311,001	$ 109,349	$ 266,123	$ 204,527	$ 8,765,188
Addition	—	—	9,093	4,332	150,628	195,302	359,355
Disposal	—	—	—	(40)	—	—	(40)
Reclassification	13,431	11,347	175,326	10,220	5,326	(224,924)	(9,274)
Depreciation expense	—	(39,277)	(258,350)	(25,582)	(102,639)	—	(425,848)
Effect of exchange rates	(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
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

1. The Group's property, plant and equipment are depreciated as per the years of useful lives below:

Buildings	8–50 years
Machinery and equipment	2–30 years
Office equipment	2–10 years
Other equipment	2–13 years

2. The capitalized amount and interest rate range of borrowing costs for property, plant and equipment:

	2021	2020
Capitalized amount	$ 578	$ —
Interest rate range	0.55%	—

3. The U.S. DOC passed the final determination of anti-dumping duties against Taiwan and other countries on tires for passenger and light trucks on May 24, 2021. The applicable tax rate for the Group was 84.75%, and the anti-dumping duties in the final determination seriously affected the Group's main sales in the U.S. market and the Group's operations. To survive the current situation, pursue the sustainable development, and seek the best interests of the Group and its shareholders, the Company's Board of Directors passed a

resolution on June 15, 2021 to completely terminate the Zhongli Plant's production. Its carrying amount was adjusted as per the expected recoverable amount in the appraisal report, and the impairment loss on property, plant and equipment was recognized in 2021 in the amount of NT$352,008 thousand. The expected recoverable amount in the appraisal report is based on the cost method. After the remanufacturing cost (or replacement cost) was first estimated, and then the buying and selling practices of the general medieval machinery and equipment market, the takeover, the period of use, and the depreciation of the machinery and equipment were considered before the physical, functional, and economic depreciation rate of each asset were determined, and then the asset cost value was determined based on the downtime discount.

4. Please refer to Note 8 for information on guarantees for property, plant and equipment.

(IX) Lease agreements - lessee

1. Right-of-use assets

(1) The information on the book value of the right-of-use assets and the recognized depreciation expense is as follows:

	December 31, 2021	December 31, 2020
Carrying amount of the right-of-use assets		

Land	$	21,599	$	22,587
Buildings		20,247		13,601
Transportation equipment		10,628		7,862
Total	$	52,474	$	44,050

	2021		2020	
Depreciation expense on right-of-use assets				
Land	$	862	$	851
Buildings		10,256		11,959
Transportation equipment		5,054		5,903
Total	$	16,172	$	18,713

(2) The increases in the Group's right-of-use assets in 2021 and 2020 were NT$26,632 thousand and NT$11,025 thousand, respectively.

(3) Except for the addition and recognition of depreciation expenses listed above, the Group's right-of-use assets did not have any significant sublease or impairment in 2021 and 2020.

2. Lease liabilities

	December 31, 2021		December 31, 2020	
Carrying amount of lease liability				
Current	$	10,888	$	13,692
Non-current	$	19,918	$	7,732

The range of discount rates for lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Buildings	1.54%～1.88%	1.54%～1.88%

Transportation equipment	1.54%～1.88%	1.54%～1.88%

3. Important leasing activities and terms

The assets leased by the Group include land, property, and company vehicles, and the lease terms usually range from 1 to 50 years. The lease agreements are negotiated individually and contain various terms and conditions, and no other restrictions are imposed except that the assets leased shall not be used as guarantees for loan.

The Group signed an agreement with the Jiangxi Provincial Government of the People's Republic of China on May 21, 2002 for the setting of land use rights in Nanchang City, Jiangxi Province. The lease term was 50 years, and the lease payment was fully paid when the lease agreement was signed.

4. Other leasing information

	2021	2020
Short-term lease expenses	$ 393	$ 2,872
Low-value asset lease expenses	$ 971	$ 1,246
Total cash outflow from leases	$ 16,857	$ 22,203

The Group has elected to apply the recognition exemption for buildings and transportation equipment eligible for short-term leases and office equipment leases eligible for low-value asset leases, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

(X) Investment property

Investment property at fair value

	Land and buildings

Balance on January 1, 2021	$ 62,838
Gain on fair value adjustment	22,364
Effect of exchange rates	(2,472)
Balance on December 31, 2021	$ 82,730

	Land and buildings
Balance on January 1, 2020	$ 60,323
Gain on fair value adjustment	5,479
Effect of exchange rates	(2,964)
Balance on December 31, 2020	$ 62,838

1. The investment property held by the Group is located in Xuhui District, Shanghai, the People's Republic of China. The property was appraised by a third party and is measured at fair value on a recurring basis. The fair value of investment property as of December 31, 2021 and 2020 is based on an appraisal report issued by the appraiser Cushman & Wakefield Limited, Taiwan Branch, with an appraiser license in our country. The appraisal date was December 31, 2021 and 2020.
2. The fair values as of December 31, 2021 and 2020 were NT$82,730 thousand and NT$62,838 thousand, respectively, which were based on the appraisal results by independent appraisal experts. The appraisal was based on the income approach, which belongs to Level 3 fair value. The main assumptions are as follows:
   (1) The Group adopts the discounted cash flow analysis method of the income approach. In the process of the appraisal method, the annual growth rate range of rents is determined with reference to the local rents and the information on similar assets and based on the vacancy loss. After vacancy loss is considered, the rental income for the remaining term is estimated as future cash

inflows and is discounted to the date of appraisal. The discount rate is determined as described in (2). The end-of-period disposal value of the target is also considered. The operating income for the following year from the disposal date, less the expenses under general operating conditions, is discounted to the appraisal date. The end-of-period disposal value, plus the rental income of the previous periods, is discounted as the market value. Future cash outflows are relevant taxes, insurance premiums, management fees, and repair fees that are directly related to the leases. The rate of change used in future changes is the same as the growth rate of rents and discount used to calculate the rental income.

(2) The discount rate is determined based on the two-year time deposit interest rate announced by Chunghwa Post Co., Ltd., plus 0.75%. Considering the risk and reward borne by the Group and the liquidity, risk, added value, and management difficulty of the property, the estimated discount rates as of December 31, 2021 and 2020 were 2.50% and 2.75%, respectively.

(3) The investment property is mainly office or residence, and the monthly rents for local and similar property were NT$430–NT$508 per square meter in 2021; NT$372–NT$488 per square meter in 2020.

(4) The Group’s investment property has not been leased out, and it had no income or expense in 2021 and 2020.

(XI) Intangible assets

	2021					
Item	Opening balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance

Cost						
Computer software	$ 106,653	$ 3,895	$ —	$ 5,210	$ —	$ 115,758
Accumulated amortization						
Computer software	96,122	5,036	—	—	—	101,158
Net amount	$ 10,531	$ (1,141)	$ —	$ 5,210	$ —	$ 14,600

	2020					
Item	Opening balance	Addition	Disposal	Reclassification	Effect of exchange rates	Ending balance
Cost						
Computer software	$ 106,653	$ —	$ —	$ —	$ —	$ 106,653
Accumulated amortization						
Computer software	87,992	8,130	—	—	—	96,122
Net amount	$ 18,661	$ (8,130)	$ —	$ —	$ —	$ 10,531

1. Amortization expense of intangible assets with finite useful life above is depreciated on a straight-line basis over the estimated useful lives below:

Computer software	1–5 years

2. The details of amortization expenses of intangible assets are as follows:

	2021	2020
Management expense	$ 5,036	$ 8,130

(XII) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayments for business facilities	$ 7,944	$ 123,992
Unamortized expense	18,958	46,757
Other assets - other	2,506	2,506
Total	$ 29,408	$ 173,255

(XIII) Short-term borrowings

	December 31, 2021	December 31, 2020
Bank unsecured borrowings	$ 1,050,550	$ 927,510
Interest rate range	0.6141 % ~1.414 %	0.70%～1.85%

(XIV) Notes and accounts payable

	December 31, 2021	December 31, 2020
Notes payable	$ 10,467	$ 12,606
Accounts payable	57,162	298,493
Total	$ 67,629	$ 311,099

Please refer to Note 6(30) for disclosures about the Group's payables and other payables that are exposed to exchange rate and liquidity risks.

(XV) Other payables

	December 31, 2021	December 31, 2020
Salary and bonus payable	$ 60,944	$ 153,287
Freight payable	14,465	194,188
Business facilities payable	9,545	145,996
Others	82,821	161,081
Total	$ 167,775	$ 654,552

Other payables mainly include business tax, interest, service fee, utilities, insurance premium, pension, and house tax payable.

(XVI) Provision

2021

	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
Current			
Opening balance	$ 41,589	$ —	$ 41,589
Increase in this period	939	62,557	63,496
Drawn in this period	(8,649)	—	(8,649)
Unused amount reversed in this period	(1,697)	—	(1,697)
Effect of exchange rates	(2)	—	(2)
Ending balance	$ 32,180	$ 62,557	$ 94,737

	2020		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
Current			
Opening balance	$ 31,609	$ —	$ 31,609
Increase in this period	14,907	—	14,907
Drawn in this period	(4,938)	—	(4,938)
Unused amount reversed in this period	—	—	—
Effect of exchange rates	11	—	11
Ending balance	$ 41,589	$ —	$ 41,589

1. Warranty liabilities

The provision for the Group’s warranty liabilities is mainly related to the sales of tire products, and is the present value of the management’s best estimate of the future cash outflow from the warranty obligations. Such an estimate is based on historical warranty experience and adjusted as per new raw materials, process changes, or other factors that affect product quality.

2. Short-term liabilities pending conclusion of the legal proceedings

The Group was sued by Jose Eduardo Gonzalez in the U.S. on January 6, 2015 as Jose Eduardo Gonzalez believed that the rear wheel of the vehicle he was in experienced a sudden failure and caused an accident, so he filed a lawsuit against the Group for compensation. For this case, as the Group has already purchased product liability insurance, it deducted the amount of possible losses from the remaining amount of insurance claim and accounted for it in 2021 in provision in the amount of NT$62,557 thousand as of December 31, 2021.

The Group will evaluate the reasonableness of the recognized expenses in each financial reporting period based on the nature of the case, the potential loss amount, whether it is significant, the progress of the case, and professional consultants' opinions and make necessary adjustments in the way the Company deems appropriate, but the final amount remains to be determined after this case is closed. The Group intends to actively defend said litigation case that has not been settled or is still in progress, but due to the unpredictable nature of this legal case, it is unable to accurately estimate the potential losses (if any) and cannot rule out that the possibility that it will not be able to win or settle all relevant cases or adverse impact of penalties, judgments, or settlements in the relevant cases on the Group's business, operations, or prospects.

(XVII) Long-term borrowings

	December 31, 2021	December 31, 2020
Bank secured borrowings		
Construction of plant and purchase of equipment	$ 4,116,619	$ 4,102,864
Less: Current portion	(306,550)	(297,593)
Long-term borrowings	$ 3,810,069	$ 3,805,271
Interest rate range	1.05%～1.52%	1.12%～1.52%

1. The Group re-signed a long-term loan agreement with Hua Nan Commercial Bank, Ltd. in January 2018 over a period of 20 years with a total facility of NT$3,250,000 thousand and took out a loan of NT$3,250,000 thousand to repay all borrowings recognized in long-term borrowings. As of December 31, 2021 and 2020, the outstanding amount was both NT$3,250,000 thousand; the principal was repaid in installments as agreed.

   The Group signed a long-term incremental borrowing agreement with Hua Nan Commercial Bank, Ltd. in June 2020 over a period of 7–10 years with a total facility of NT$2,541,000 thousand. As of December 31, 2021 and 2020, the outstanding amounts were NT$283,932 thousand and NT$115,968 thousand; the principal was repaid in installments as agreed.

2. The Group signed a long-term borrowing agreement with Bank SinoPac in May 2018 over a period of 7 years with a total facility of NT$400,000 thousand. As of December 31, 2021 and 2020, the outstanding amounts were NT$199,976 thousand and NT$257,118 thousand; the principal was repaid in installments as agreed.

3. The Group signed a long-term borrowing agreement with Taiwan Shin Kong Commercial Bank Co., Ltd. in May 2018 over a period of 7 years with a total facility of NT$300,000 thousand. As of December 31, 2021 and 2020, the outstanding amounts were NT$121,600 thousand and NT$152,000 thousand; the principal was repaid in installments as agreed.

4. The Group signed a long-term borrowing agreement with Chang Hwa Commercial Bank, Ltd. in October 2018 over a period of 7 years with a total facility of NT$400,000 thousand. As of December 31, 2021 and 2020, the outstanding amounts were NT$261,111 thousand and NT$327,778 thousand; the principal was repaid in installments as agreed.

5. Please refer to Note 8 for the information on the assets pledged as

collateral for long-term borrowings.

(XVIII) Pension

1. Defined contribution plans

Since July 1, 2005, the Company and its domestic subsidiaries have established the defined contribution retirement regulations in accordance with the Labor Pension Act, which are applicable to employees with the ROC nationality. For the pension plan under the Labor Pension Act chosen by the employees, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum. Federal Tire (Jiangxi) makes monthly contributions according to a certain percentage of the local employees' salaries in accordance with the pension system stipulated by the government of the People's Republic of China. The pension for each employee is managed by the government; thus, the Group does not have further obligation except for making a monthly contribution. The foreign subsidiary shall make a contribution to the pension equal to 6.2% of the total salary in accordance with the relevant employment laws of the local government, and the Group does not have further obligation except for making a monthly contribution. The pensions recognized by the Group in the consolidated statement of comprehensive income for 2021 and 2020 were NT$21,320 thousand and NT$27,169 thousand, respectively.

2. Defined benefit plan

The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all full-time 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 Act. 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 6 months prior to retirement. The Company and domestic subsidiaries make a contribution equal to 10% and 4% of the total salaries every month, respectively, as a pension fund and deposit it to the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Also, the Group would assess the balance in the aforementioned account by the end of 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 Group will make a contribution to compensate the deficit in a lump sum by next March. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence its investment management strategy.

The amounts included in the consolidated balance sheets in respect of such defined benefit plans are as follows:

	December 31, 2021		December 31, 2020	
Present value of defined benefit obligations	$	(78,336)	$	(299,014)
Fair value of plan asset		39,198		152,234
Net defined benefit liability	$	(39,138)	$	(146,780)

Changes in net defined benefit liability are as follows:

	Present value of defined benefit obligations		Fair value of plan asset		Net defined benefit liability	
Balance on January 1,	$	(299,014)	$	152,234	$	(146,780)

2021			
Service cost			
Current service cost	(4,538)	—	(4,538)
Interest expense (income)	(872)	451	(421)
Service cost in the prior period	53,859	—	53,859
liquidation gain or loss	3,147	(3,080)	67
Recognized in profit or loss	51,596	(2,629)	48,967
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	1,949	1,949
Effect of changes in demographic assumptions	(558)	—	(558)
Effect of changes in financial assumptions	6,074	—	6,074
Experience adjustments	30,543	—	30,543
Recognized in other comprehensive income	36,059	1,949	38,008
Contributions to pension	—	18,507	18,507
Pension paid	133,023	(130,863)	2,160
Balance on December 31, 2021	$ (78,336)	$ 39,198	$ (39,138)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Balance on January 1, 2020	$ (283,013)	$ 133,838	$ (149,175)
Service cost			
Current service cost	(4,466)	—	(4,466)
Interest expense (income)	(1,966)	980	(986)
Recognized in profit or loss	(6,432)	980	(5,452)
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	4,459	4,459
Effect of changes in demographic	(70)	—	(70)

assumptions			
Effect of changes in financial assumptions	(12,280)	–	(12,280)
Experience adjustments	(12,650)	–	(12,650)
Recognized in other comprehensive income	(25,000)	4,459	(20,541)
Contributions to pension	–	28,388	28,388
Pension paid	15,431	(15,431)	–
Balance on December 31, 2020	$ (299,014)	$ 152,234	$ (146,780)

The Group is exposed to the risks below due to the pension system under the Labor Standards Act:

(1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the return on plan assets shall not be lower than the local bank's interest rate for 2-year time deposits. If the return is less than aforementioned rates, the treasury will make up for it.

(2) Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.

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

The critical actuarial assumptions are as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.70%～0.75%	0.30%～0.35%
Expected salary increase rate	1.00%～2.00%	1.00%～2.00%

If each of the critical actuarial assumptions is subject to a change, the amounts by which the present value of the defined benefit obligation on December 31, 2021 and 2020 would increase (decrease) are as follows:

December 31, 2021	Increase by 0.25%	Decrease by 0.25%
Discount rate	$ (2,032)	$ 2,111
Future salary increase rate	$ 2,076	$ (2,009)

December 31, 2020	Increase by 0.25%	Decrease by 0.25%
Discount rate	$ (7,740)	$ 8,036
Future salary increase rate	$ 7,876	$ (7,628)

The sensitivity analysis above is based on the analysis of the effect of a change in a single assumption while other assumptions remain unchanged. In practice, many assumptions may change at the same time. The sensitivity analysis is consistent with the method used to calculate the pension liability on the balance sheet. The methods and assumptions adopted in sensitivity analysis in this period are the same as those in the prior period.

The amount contributed to the defined benefit plan and the weighted average duration of that retirement plan within one year after the balance sheet date of December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Estimated amount to be contributed within 1 year	$ 4,457	$ 13,204
Average maturity period of defined benefit obligation	8–11 years	7–10 years

(XIX) Equity

1. Ordinary share capital

	December 31, 2021	December 31, 2020
Authorized Capital	$ 10,000,000	$ 10,000,000
Outstanding shares	$ 4,733,292	$ 4,733,292

As of December 31, 2021 and December 31, 2020, the Company's authorized number of shares was both 1,000,000 thousand, with a par value of NT$10 per share, and the number of outstanding shares was both 473,329 thousand.

2. Capital reserve

	2021			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total
The balance on January 1, 2021 is the balance on December 31, 2021.	$ 37,860	$ 107,735	$ 11,169	$156,764

	2020			
	Ordinary shares at a premium	Treasury stock transactions	Donated assets received	Total

The balance on January 1, 2020 is the balance on December 31, 2020.	$ 37,860	$ 107,735	$ 11,169	$156,764

(1) Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover cumulative deficit or to issue new stocks or cash to shareholders in proportion to their shareholding, provided that the Company has no cumulative deficit. Further, the Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover cumulative deficit unless the legal reserve is insufficient.

(2) Donated assets received are dividends that have not been collected by shareholders, overdue for more than five years

3. Retained earnings and dividend policy

(1) As per the Company's Articles of Incorporation, where the Company makes a profit in a fiscal year, the profit shall be first used for paying taxes, offsetting the cumulative deficit, setting aside 10% of the remaining profit as a legal reserve, setting aside an amount for a special reserve in accordance with regulations, and then any remaining profit for the year may be used to distribute dividends on preference shares for the year first; any remaining balance, together with any undistributed earnings at the beginning of the period (including adjusted undistributed earnings), shall be adopted by the Board of Directors as the basis

for making a distribution proposal for stock dividends, which shall then be submitted to the shareholders' meeting for a resolution before distribution of shareholders' dividends and bonuses. If it is paid out in the form of cash dividends, the decision shall be resolved by attended by more than half of the directors present at a Board meeting attended by more than two-thirds of all directors on the Board and reported to the shareholders' meeting

(2) The Company's industry is currently in a developed stage. Considering future capital needs, a financial plan, and shareholders' interests, the Board of Directors, depending on the business performance, drafts a profit distribution proposal in a percentage from 5% to 100% and submit it to the general shareholders' meeting. The Company shall give priority to cash dividends for earnings distribution and may distribute stock dividends not higher than 80% of the total dividends to be distributed in principle. However, if there are significant investment plans, future development, and other factors, the earnings may be retained.

(3) The legal reserve shall not be used except for compensation for the Company's losses and issue of new shares or cash in proportion to the shareholders' original shares. However, new shares or cash shall only be paid out to the extent that such reserve exceeds 25% of the paid-in capital.

(4) Special reserve

	2021	2020
Opening balance	$ 1,911,517	$ 1,911,517
Provision for special reserve		
Investment property recognized at fair value	1,592	—
Ending balance	$ 1,913,109	$ 1,911,517

Upon first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed. If the aforementioned assets are investment property, it shall be reversed at the time of disposal or reclassification in the case of land, while for property other than the land, it shall be reversed phase by phase during the period of use. When the earnings are distributed, the special reserve shall be provided for the difference between the net deduction of other equity and the special reserve provided for the first adoption of IFRSs on the balance sheet date of the year. When the net deduction of other equity is reversed subsequently, the special reserve shall be reversed for the part reversed for distribution of earnings.

(5) The Company's Board of Directors passed a resolution on March 15, 2022 on the 2021 deficit proposal. Please visit the MOPS for relevant information.

(6) The Company's Board of Directors passed a resolution on March 26, 2021, to distribute 2020 cash dividends and submitted it to the shareholders' meeting. The general shareholders' meeting on August 31, 2021 passed a resolution

to set aside legal reserve and special reserve for 2020. The distribution of earnings in 2020 is as follows:

	Amount	Dividend per share (NTD)
Legal reserve	$ 3,070	$ —
Special reserve	1,592	—
Cash dividends	9,467	0.02
	$ 14,129	

Please visit Taiwan Stock Exchange's MOPS for relevant information on the above-mentioned earnings distribution.

(7) The Company's general shareholders' meeting passed a resolution on the 2019 deficit proposal on June 19, 2020. Please visit Taiwan Stock Exchange's MOPS for relevant resolutions by the general shareholders' meeting.

4. Other equity items

	Exchange differences on translation of the financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2021	$ (212,766)	$ 374,001	$ 161,235
Generated in this period			
Exchange differences on translation of the financial statements	(11,970)	—	(11,970)
Valuation adjustment	—	97,993	97,993
Disposal of investment in equity instruments at fair value through other comprehensive income	—	(471,994)	(471,994)
Balance on December 31, 2021	$ (224,736)	$ —	$ (224,736)

	Exchange differences on translation of the financial statements of foreign	Unrealized gain or loss on financial assets at fair value through other comprehensive	Total

	operations	income	
Balance on January 1, 2020	$ (221,092)	$ 249,628	$ 28,536
Generated in this period			
Exchange differences on translation of the financial statements	8,326	—	8,326
Valuation adjustment	—	124,373	124,373
Balance on December 31, 2020	$ (212,766)	$ 374,001	$ 161,235

5. Treasury stock

(1) Reasons for the redemption of shares and changes in the number:

(Unit: In thousand shares)

	2021			
Reason for redemption	Number of shares at the beginning of the period	Increase in this period	Decrease in this period	Number of shares at the end of the period
Parent company’s shares held by subsidiaries	13,755	—	—	13,755

	2020			
Reason for redemption	Number of shares at the beginning of the period	Increase in this period	Decrease in this period	Number of shares at the end of the period
Parent company’s shares held by subsidiaries	13,755	—	—	13,755

(2) The Company regards the purchase of the Company's shares by its subsidiaries for investment purposes as a transaction of treasury shares. The relevant information on the Company’s shares held by subsidiaries on the balance sheet date is as

follows:

Subsidiary	December 31, 2021 No. of Shares (thousand)	Carrying amount	Fair value/share
Federex Marketing Co., Ltd.	7,842	$ 116,469	$ 28.85
Taicheng	5,913	66,566	$ 28.85
	13,755	$ 183,035	

Subsidiary	December 31, 2020 No. of Shares (thousand)	Carrying amount	Fair value/share
Federex Marketing Co., Ltd.	7,842	$ 116,469	$ 19.70
Taicheng	5,913	66,566	$ 19.70
	13,755	$ 183,035	

(3) The treasury shares held by the Company shall not be pledged, nor shall they be entitled to rights, such dividends and voting rights, in accordance with the Securities and Exchange Act. Subsidiaries holding the Company's shares have the same rights as ordinary shareholders except that they are not allowed to participate in the Company's cash capital increase and have no voting rights.

(XX) Earnings (loss) per share

	2021	2020

Basic earnings (loss) per share (NTD)	$ (5.11)	$ 0.24
Diluted earnings (loss) per share (NTD)	$ (5.11)	$ 0.24

1. Basic earnings (loss) per share

Earnings (loss) and weighted average number of ordinary shares used to calculate basic earnings (loss) per share are as follows:

	2021	2020
Net profit (loss) attributable to owners of the parent company (NTD thousands)	$ (2,349,964)	$ 111,477
Weighted average number of ordinary shares used to calculate basic earnings (loss) per share (thousand shares)	459,574	459,574
Basic earnings (loss) per share (NTD)	$ (5.11)	$ 0.24

2. Diluted earnings (loss) per share

Earnings (loss) and weighted average number of ordinary shares used to calculate diluted earnings (loss) per share are as follows:

	2021	2020
Net profit (loss) attributable to owners of the parent company (NTD thousands)	$ (2,349,964)	$ 111,477
Weighted average number of ordinary shares used to calculate basic earnings (loss) per share (thousand shares)	459,574	459,574
Employee remuneration (thousand shares)	—	34

Weighted average number of ordinary shares used to calculate diluted earnings (loss) per share (thousand shares)	459,574	459,608
Diluted earnings (loss) per share (NTD)	$ (5.11)	$ 0.24

If the Group may choose distribute employee remuneration in cash or stock, when calculating diluted earnings per share, it assumes the entire amount of the compensation would be distributed in shares, and the resulting potential ordinary shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Due to the anti-dilution effect of potential employee compensation in 2021, it was not included in the calculation of diluted earnings per share.

(XXI) Operation income

	2021	2020
Revenue from customer contracts		
Revenue from sale of goods	$ 1,561,241	$ 5,704,663

1. Please refer to Note 4(14) for the description of the Group's income.
2. Contract balance

	December 31, 2021	December 31, 2020

Notes and accounts receivable (Note 6(5))	$ 352,359	$ 1,186,438
Contract liabilities - current		
Sale of goods	$ 24,518	$ 36,515

The amounts of operating income recognized in 2021 and 2020 from contract liabilities at the beginning of the period were NT$28,584 thousand and NT$12,565 thousand.

3. Refund liability

As of December 31, 2021 and 2020, the Group's balances of refund liabilities were NT$13,871 thousand and NT$137,288 thousand, respectively, and the balances of right to products returned by customers were NT$0 and NT$172,472 thousand, respectively.

(XXII) Interest income

	2021	2020
Interest on bank deposits	$ 4,628	$ 7,442
Other interest	1,211	738
Total	$ 5,839	$ 8,180

(XXIII) Other income

	2021	2020
Rental income	$ 1,423	$ —
Dividend income	6,324	6,324
Others	16,142	8,713
Total	$ 23,889	$ 15,037

(XXIV) Other gains and losses

	2021	2020

Gain on disposal of property, plant and equipment	$ 8,787	$ 665
Lease modification loss	(77)	—
Loss of foreign exchange	(31,652)	(66,934)
Gain on financial assets at FVTPL	100	1,290
Adjustment to fair value of investment property - investment property	22,364	5,479
Impairment loss on property, plant and equipment	(352,008)	—
Miscellaneous expenses	(66,391)	(3,273)
Total	$ (418,877)	$ (62,773)

(XXV) Financial costs

	2021	2020
Interest expense		
Bank borrowings	$ 63,803	$ 64,354
Lease liabilities	416	425
Less: Capitalized amount of qualifying assets	(578)	—
Total	$ 63,641	$ 64,779

(XXVI) Income tax

1. The adjustment to the Group's income tax expenses recognized in profit or loss for 2021 and 2020 is as follows:

	2021	2020
Income tax calculated at statutory tax rate for pre-tax income (loss)	$ (480,814)	$ 28,236
Effect of income tax on items excluded as per tax law	104,060	(1,145)
Effect of income tax on loss carryforwards	430,240	5,718
Income tax underestimation	16,500	8

	2021	2020
for previous years		
Effect of temporary differences in this period	(20,965)	(1,411)
Income tax expense	$ 49,021	$ 31,406

The main components of income tax expense recognized in profit or loss are as follows:

	2021	2020
Current income tax		
Generated in this period	$ 18,975	$ 14,342
Deferred tax		
Occurrence and reversal of temporary differences	30,046	17,064
Income tax expense recognized in profit or loss	$ 49,021	$ 31,406

2. Current income tax assets and liabilities

(1) Current income tax assets

	December 31, 2021	December 31, 2020
Tax refund receivable	$ 1,336	$ 6,087

(2) Current income tax liabilities

	December 31, 2021	December 31, 2020
Income tax payable	$ 88	$ 2,561

3. Deferred tax assets and liabilities

(1) The analysis of deferred tax assets is as follows:

	2021			
	Opening balance	Reclassification	Recognized in profit or loss	Ending balance
Temporary difference				
Unrealized exchange loss	$ 1,469	$ —	$ (130)	$ 1,339
Unrealized inventory valuation losses	824	—	51,786	52,610

Pension withdrawal in excess of contribution	32,627	—	(13,927)	18,700
Amount in excess of allowance for bad debts	8,897	—	(2,619)	6,278
Estimated product warranty expense	8,239	—	(1,846)	6,393
Bonus for not on leave	4,581	—	(2,267)	2,314
Year-end bonus unpaid	—	—	1,620	1,620
Unrealized sales discount	—	—	2,774	2,774
Others	480	—	—	480
Loss carryforwards	42,694	8,318	(51,012)	—
	$ 99,811	$ 8,318	$ (15,621)	$ 92,508

	2020		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	$ 2,099	$ (630)	$ 1,469
Unrealized inventory valuation losses	3,177	(2,353)	824
Pension withdrawal in excess of contribution	37,214	(4,587)	32,627
Amount in excess of allowance for bad debts	10,356	(1,459)	8,897
Estimated product warranty expense	6,209	2,030	8,239
Bonus for not on leave	4,339	242	4,581
Others	480	—	480
Loss carryforwards	50,757	(8,063)	42,694
	$ 114,631	$ (14,820)	$ 99,811

(2) The analysis of deferred tax liabilities is as follows:

	2021				
	Opening balance	Reclassification	Recognized in profit or loss	Effect of exchange rates	Ending balance
Temporary difference					

Provision for land value increment tax	$ 529,463	$ 57,523	$ 11,861	$ (991)	$ 597,856
Unrealized gain on investment property	7,952	—	2,554	(307)	10,199
Bonus for not on leave	—	—	10	—	10
	$ 537,415	$ 57,523	$ 14,425	$ (1,298)	$ 608,065

	2020			
	Opening balance	Recognized in profit or loss	Effect of exchange rates	Ending balance
Temporary difference				
Provision for land value increment tax	$ 523,802	$ 1,722	$ 3,939	$ 529,463
Unrealized gain on investment property	7,807	522	(377)	7,952
	$ 531,609	$ 2,244	$ 3,562	$ 537,415

4. Items not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Loss carryforwards	$ 3,254,015	$ 1,597,892
Temporary difference	$ 1,283,385	$ 862,453

The last valid year for the Group's loss carryforwards is 2031.

5. The losses carryforwards have not been used by the Group and the last valid year as of December 31, 2021 are as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2012	Approved amount	2022	$ 20,272
2013	Approved amount	2023	15,269
2014	Approved amount	2024	6,220
2017	Approved amount	2027	149,785
2018	Approved amount	2028	388,723
2019	Approved amount	2029	492,921
2020	Amount filed	2030	13,681
2020	Approved	2030	5,140

	amount		
2021	Estimated amount	2031	1,592,202
2017	Amount filed	2022	116,288
2018	Amount filed	2023	303,319
2019	Amount filed	2024	79,942
2020	Amount filed	2025	28,781
2021	Amount filed	2026	41,472
			$ 3,254,015

5. The approval of the Company and its domestic subsidiaries' profit-seeking enterprise income tax return is as follows:

Company Name	Year approved
The Company	2019
Federex Marketing Co., Ltd.	2019
Taixin Construction Co., Ltd.	2020
Taicheng Development Co., Ltd.	2020

(XXVII) <u>Additional information on the nature of expenses</u>

1. Employee benefits and depreciation and amortization expenses incurred in this period are summarized as follows:

By function / By nature	2021		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	$ 287,910	$ 166,455	$ 454,365
Post-employment benefits	—	203,245	203,245
Labor and health insurance	39,886	18,034	57,920
Pension	17,659	(45,306)	(27,647)
Other employee benefits	25,604	6,066	31,670
Depreciation expense	343,411	126,229	469,640
Amortization expense	47,483	12,372	59,855

By function / By nature	2020		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	$ 581,651	$ 205,142	$ 786,793
Labor and health insurance	55,445	17,234	72,679
Pension	23,242	9,379	32,621
Other employee benefits	28,480	8,460	36,940
Depreciation expense	354,157	90,404	444,561
Amortization expense	68,067	17,197	85,264

2. Employee benefits

(1) As per the Company's Articles of Incorporation, If the Company makes a profit in the year (referring to the income before tax before the remuneration to employees and directors is subtracted), it shall allocate no less than 1% of the balance as employee remuneration and no more than 3% as directors' remuneration. However, profits must first be reserved to offset against the cumulative deficit, if applicable. Employee remuneration can be paid in stock or cash, and the recipients of the payment include employees of subsidiaries who met the criteria set by the Board of Directors. The director's remuneration in the preceding paragraph can only be paid in cash. Employee remuneration and directors' remuneration shall be decided by the Board of Directors and reported to the

shareholders' meeting.

(2) The Company suffered a loss in 2021, so no employee remuneration and directors' remuneration were estimated.

The estimated amounts of employee remuneration and directors' remuneration in 2020 were both NT$665 thousand, and said amount is recognized in salary and wages.

Based on the profit up to the end of the period in 2020, the employee remuneration and directors' remuneration were both estimated at 1%, and the estimated amount was consistent with the amount resolved by the Board of Directors. The above employee remuneration and directors' remuneration will be paid in cash.

(3) If there is a change in the amount after the publication date of the annual financial report, it will be treated as a change in accounting estimates and adjusted and recognized in the following year.

(4) Information on employee remuneration and directors' remuneration approved by the Board of Directors is available on the MOPS.

(XXVIII) Cash flow information

1. Investing activities that affect both cash and non-cash items

Property, plant and equipment

	2021	2020
Increase in this period	$ 353,360	$ 359,355

Add: Business facilities payable at the beginning of the period	145,996	69,588
Less: Business facilities payable at the end of the period	(9,545)	(145,996)
Less: Prepayments for business facilities reclassified	(120,420)	—
Cash paid in this period	$ 369,391	$ 282,947

2. Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2021	$ 927,510	$ 4,102,864	$ 3,736	$ 21,424	$ 5,055,534
Changes in financing cash flow	123,040	13,755	(1,632)	(15,077)	120,086
Other non-cash changes	—	—	—	24,476	24,476
Effect of exchange rate changes	—	—	(9)	(17)	(26)
December 31, 2021	$ 1,050,550	$ 4,116,619	$ 2,095	$ 30,806	$ 5,200,070

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2020	$ 517,075	$ 4,175,728	$ 3,589	$ 33,299	$ 4,729,691
Changes in financing cash flow	410,435	(72,864)	147	(18,094)	319,624
Other non-cash changes	—	—	—	(814)	(814)
Effect of exchange rate changes	—	—	—	7,033	7,033
December 31, 2020	$ 927,510	$ 4,102,864	$ 3,736	$ 21,424	$ 5,055,534

(XXIX) Capital management

The Group manages its capital to ensure that the Group will be able to continue as going concerns and maintain an optimal capital structure to reduce cost of capital, while providing return to stakeholders. In order to maintain or adjust capital structure, the Group may adjust dividend distribution, return capital to shareholders, issue new shares, or dispose of assets to reduce debts. The Group manages its capital through the debt-to-equity ratio that is the ratio of net debts to total capital. The net debt is equal to total borrowings (including "current and non-current borrowings" on the consolidated balance sheet), less cash and cash equivalents. Total capital is the "equity" stated on the consolidated balance sheet plus net debt. The Group's debt-to-equity ratios as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 5,167,169	$ 5,030,374
Less: Cash and cash equivalents	(1,280,779)	(1,681,441)
Net debt	3,886,390	3,348,933
Total equity	5,308,025	7,543,425
Total capital	$ 9,194,415	$ 10,892,358
Debt-to-equity	42%	31%

(XXX) Financial instruments

1. Types of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Cash and cash equivalents	$ 1,280,779	$ 1,681,441
Financial assets at fair value through profit or loss - current	—	45,038
Financial assets at amortized cost - current	107,281	167,221

	December 31, 2021	December 31, 2020
Notes receivable	65,674	31,380
Accounts receivable	286,685	1,155,058
Other receivables	14,820	2,625
Financial assets at fair value through other comprehensive income - non-current	—	391,450
Guarantee deposits paid	48,022	44,641
<u>Financial liabilities</u>		
Short-term borrowings	1,050,550	927,510
Notes payable	10,467	12,606
Accounts payable	57,162	298,493
Other payables	167,775	654,552
Long-term borrowings (including the current portion)	4,116,619	4,102,864
Guarantee deposits received	2,095	3,736

2. Financial risk management policy

The Group's financial risks mainly arise from investments in financial products. The Group has adopted the strictest control standards for the financial risks of various financial product investments. It undergoes a comprehensive assessment of the potential market risk, credit risk, liquidity risk, and cash flow risks of any financial investments and operations and chooses the one with a lower risk.

3. Market risk

(1) Foreign currency exchange rate risk

The Group operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company and its subsidiaries. The exchange rate risk arises from future business transactions and assets and liabilities recognized.

A. The Group's business involves a number of non-functional currencies (the Company's functional currency is NTD, and some subsidiaries' functional currencies are USD, SGD, or CNY). Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

Unit: In thousands of dollars for foreign currencies; NTD thousand

	December 31, 2021					
				Sensitivity analysis		
(foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Degree of change	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary item						
USD: NTD	$ 17,709	27.65	$ 489,678	1%	$ 4,897	$ –
Non-monetary item						
USD: NTD	200	27.88	5,587			
Financial liabilities						
Monetary item						
USD: NTD	863	27.68	23,895	1%	239	–
Non-monetary item						
USD: NTD	2,085	27.36	57,305			

(foreign currency: functional currency)	December 31, 2020					
				Sensitivity analysis		
	Foreign currency	Exchange rate	Carrying amount (NTD)	Degree of change	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary item						
USD: NTD	$ 55,080	28.48	$1,568,678	1%	$ 15,687	$ –
Non-monetary item						
USD: NTD	47,108	28.48	1,341,636			
Financial liabilities						
Monetary item						
USD: NTD	29,052	28.48	827,401	1%	8,274	–

B. The aggregated total amounts of all exchange losses (including realized and unrealized) recognized for 2021 and 2020 due to the significant impact of exchange rate fluctuations on the Group's monetary items were NT$31,652 thousand and NT$66,934 thousand, respectively.

(2) Price risk

A. As the investments held by the Group are classified as financial assets at FVTPL and financial assets at FVTOCI in the consolidated balance sheet, the Group is exposed to the price risk arising from equity instruments. The Group is not exposed to goods price risks. In order to manage the price risk of equity instrument investment, the Group has diversified its investment portfolio, and the method of the diversification is based on the limits set by the Group.

B. The Group has mostly invested in equity instruments issued by domestic or foreign companies, and the prices of such equity instruments would change due to the change of the future value of investees. If the prices of these equity instruments had increased/decreased by 1% with all other variables held constant, gains or losses on equity instruments at fair value through other comprehensive income for 2021 and 2020 would have increased/decreased by NT$0 and NT$$3,915 thousand.

(3) Interest rate risk

Interest rate risk arises from changes in the fair value of financial instruments caused by changes in market interest rates. The Group’s interest rate risk mainly arises from long-term borrowings. Loans taken out at floating interest rates expose the Group to interest rate risk arsing from cash flows. Part of the risk is offset by cash and cash equivalents held at floating interest rates, and loans taken out at fixed interest rates expose the Group to interest rate risk arising from fair value. In 2021 and 2020, the Group's borrowings at floating interest rates were denominated in NTD and when the market interest rate increased by 1%, the increased cash outflows would have been NT$52,789 thousand and NT$41,029 thousand, respectively.

4. Credit risk management

The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of clients or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties’ inability to settle accounts receivable in accordance with the payment terms, and the contractual cash flow of debt instrument investment classified as measured at fair value through other comprehensive income. The Group has established credit risk management from the Group’s perspective. For banks and financial institutions with whom it is dealing, only those with an independent credit rating of at least “A” can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new client before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of clients by considering their financial positions, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored. When the Group sells goods, it has already assessed the transaction counterparty’s credit rating and expected that the transaction counterparty will not be in default, so the chance of credit risk is extremely low.

5. Liquidity risk management

(1) The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group’s finance department. The Group’s finance department monitors the forecast of the Group’s liquidity requirements to ensure that it has sufficient funds to meet operational needs.

(2) The remaining cash held by each operating entity will be transferred back to the finance department when it is not needed

as working capital. The Company's finance department invests surplus cash in interest-bearing demand deposit, time deposits, and money market deposits and securities, choosing instruments with appropriate durations or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2021 and 2020, the Group's money market positions were in the amounts of NT$1,279,878 thousand and NT$1,679,766 thousand, respectively, and financial assets measured by amortized cost - current were NT$107,281 thousand and NT$167,221 thousand, respectively, expected to generate cash flows immediately to manage liquidity risk.

(3) The details of the Group's undrawn borrowing facilities are as follows:

	December 31, 2021	December 31, 2020
Floating rate		
Due after more than one year	$ 2,257,068	$ 2,425,032

(4) The table below shows the Group's non-derivative financial liabilities, which are grouped according to relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The contract cash flows disclosed in the table below are undiscounted amounts.

	December 31, 2021				
	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
Non-derivative financial liabilities					
Short-term borrowings	$ 1,052,484	$ —	$ —	$ —	$ 1,052,484
Notes payable	10,467	—	—	—	10,467
Accounts payable	57,162	—	—	—	57,162
Other payables	167,775	—	—	—	167,775
Lease liabilities	11,302	15,508	4,823	—	31,633
Long-term borrowings (including the current portion)	308,817	836,596	684,099	2,647,288	4,476,800
Total	$ 1,608,007	$ 852,104	$ 688,922	$ 2,647,288	$ 5,796,321

	December 31, 2020		
	Less than 1 year	1 year or more	Total
Non-derivative financial liabilities			
Short-term borrowings	$ 929,530	$ —	$ 929,530
Notes payable	12,606	—	12,606
Accounts payable	298,493	—	298,493
Other payables	654,552	—	654,552
Lease liabilities (including non-current)	13,970	7,886	21,856
Long-term borrowings (including the current portion)	346,132	4,124,394	4,470,526
Total	$ 2,255,283	$ 4,132,280	$ 6,387,563

(XXXI) Fair value information

1. The carrying amounts of financial instruments at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable and other payables, long-term borrowings, and guarantee deposits received) are reasonable approximations of the fair values.
2. The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

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

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

Level 3 inputs are not based on observable inputs for the asset or liability.

3. Financial and non-financial instruments measured at fair value as of December 31, 2021 and 2020 were classified by Group based on the nature, characteristics, risks, and fair value levels of the assets. The relevant information is as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Fair value on a recurring basis</u>				

Investment property	$ —	$ —	$ 82,730	$ 82,730

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Fair value on a recurring basis				
Financial assets at fair value through profit or loss - current	$ 45,038	$ —	$ —	$ 45,038
Financial assets at fair value through other comprehensive income - non-current	—	—	391,450	391,450
Investment property	—	—	62,838	62,838
Total	$ 45,038	$ —	$ 454,288	$ 499,326

4. Valuation technique and assumptions for fair value

(1) For the fair values of instruments valuated by the Group using market quoted prices (that is, Level 1), instruments are classified by characteristics as follows:

	Open end funds
Market quoted prices	Net value

(2) Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties. For the fair value obtained through the valuation techniques, the Company refers to the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method, or other valuation techniques, including calculations using

models based on the market information available at the consolidated balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).

(3) The fair value valuation technique for the investment property measured at fair value is measured by an external appraiser using the income approach in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The relevant parameter assumptions and input information are as follows:

A. Cash flow: Valuated as per the current lease contract, local rents, or market rental prices of similar assets, excluding those that are too high or too low. If there is an ending balance of the value, the present value of the ending balance may be added.

B. Analysis period: If the income is not from a certain period, the analysis period shall be no more than ten years, and if the income is from a specific period, it shall be estimated according to the remaining period.

C. Discount rate: The risk premium method is adopted at a certain interest rate, with the characteristics of individual investment property estimated. “Certain interest rate” shall be the benchmark and shall not be lower than the two-year time deposit interest rate announced by Chunghwa Post Co., Ltd., plus 0.75%.

5. There was no transfer between each fair value level in 2021 and 2020.

6. The details of the changes in three levels of fair value are as follows:

From January 1, 2021 to December 31, 2021

	Opening balance	Acquired in this period	Recognized in profit or loss	Recognized in other comprehensive income	Disposed of in this period	Effect of exchange rate changes	Ending balance
Financial assets at FVTOCI	$ 391,450	$ —	$ —	$ 97,993	$ (489,443)	$ —	$ —
Investment property	$ 62,838	$ —	$ 22,364	$ —	$ —	$ (2,472)	$ 82,730

From January 1, 2020 to December 31, 2020

	Opening balance	Acquired in this period	Recognized in profit or loss	Recognized in other comprehensive income	Disposed of in this period	Effect of exchange rate changes	Ending balance
Financial assets at FVTOCI	$ 267,077	$ —	$ —	$ 124,373	$ —	$ —	$ 391,450
Investment property	$ 60,323	$ —	$ 5,479	$ —	$ —	$ (2,964)	$ 62,838

7. Quantitative information on fair value of significant unobservable inputs (Level 3)

The fair value of the Group’s financial assets at FVTOCI - equity securities investment and investment property is classified at Level 3.

The quantitative information on significant unobservable inputs is as follows:

Item	Valuation techniques	Significant unobservable input	Relations between significant unobservable input and fair value
Financial assets at FVTOCI – investments in	Comparable listed company	Price-earnings ratio, price-book ratio, and	The higher the ratio and controlling

equity instruments without active markets	method	enterprise value/earnings before interest and taxes	interests, the higher the fair value; the higher the discount due to lack of market liquidity, the lower the fair value
Investment property	Discounted cash flow method	long-term revenue growth 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) for the discount rate range.

8. For the measurement of the Level 3 fair value, the analysis of sensitivity of the fair value to the reasonably possible alternative assumptions

The fair value of financial instruments measured by the Group is reasonable, but the use of different valuation models or valuation parameters may lead to different valuation results. For financial instruments classified as Level 3 fair value, if the valuation parameters change, the effect on the current profit or loss or other comprehensive income is as follows:

	Input	Upward or downward	Changes in fair value are reflected in profit or loss for this period		Changes in fair value reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2020						
Financial assets at FVTOCI						
Investments in equity instruments without active markets.	Price-book ratio	±5%	—	—	19,573	(19,573)

Favorable and unfavorable changes refer to fluctuations in fair value, which is calculated using valuation techniques based on unobservable inputs of varying degrees.

VII. Related party transaction

The transaction amounts and balances between the Company and its subsidiaries (which are the Company's related parties) have been eliminated when this consolidated financial report was prepared and are disclosed in this note.

(I) Names of related parties and relations

Name of related party	Relations with the Group
Nankang Rubber Tire Corp., Ltd.	Investor with material influence

(II) Significant transactions with related parties

1. Deduction of operating costs - selling price of raw materials and work-in-progress

Related party category/name	2021	2020
Investor with material influence	$ 3,109	$ —

2. Other receivables

Related party category/name	December 31, 2021	December 31, 2020
Investor with material influence	$ 3,265	$ —

(III) Remuneration for key management personnel

Information on remuneration for directors and other key management personnel is as follows:

	2021	2020
Salary and other short-term benefits	$ 14,470	$ 18,597
Post-retirement benefits	165	207
Total	$ 14,635	$ 18,804

VIII. Assets pledged

Item	Content	Carrying amount December 31, 2021	Carrying amount December 31, 2020
Financial assets at amortized cost - current	Bank time deposit - export guarantee and bank acceptance bill guarantee account	$ 11,311	$ 13,467
Property, plant and equipment	Collateral to financial institutions for long-term loans	5,001,832	4,533,410
Guarantee deposits paid	For participation in bidding, lease deposit, electricity fee deposit, after-sales service deposit, supplier deposit, and customs deposit	48,022	44,641
Total		$ 5,061,165	$ 4,591,518

IX. Material contingent liabilities and unrecognized contractual commitments

Except for described in Note 6(16)2 and other notes, the Group's material commitments and contingencies on the balance sheet date are as follows:

(I) As of December 31, 2021 and 2020, the Group had signed contracts and issued letters of credit for the purchase of raw materials, goods, and machinery and equipment, with the unpaid payments of NT$252,782 thousand and NT$341,572 thousand, respectively

(II) The distribution agreements between Federal Tire (Jiangxi) and the distributors contained a product after-sales service warranty clause, and the warranty period was three years. It is agreed that if the products sold by Federal Tire (Jiangxi) are defective in the process, when it is attributable to the manufacturing process as identified by the technicians approved by the Group, it will be responsible for the after-sales service of guaranteed replacement, guaranteed return, and guaranteed compensation.

(III) The Group was sued by Jeramy Truhlar in the United States on July

31, 2014. The injured person and his insurance company claimed that the vehicle accident was caused by the defective tires sold by the Group, so they filed a lawsuit against the Group for compensation. The Group filed a petition for discretionary review with the U.S. Supreme Court on October 22, 2021. As this case is still in the procedural defense stage and has not yet entered the substantive defense stage, it is difficult to assess the impact on the Group. If there is any additional impact caused by this case in the future, the Group will evaluate and account for it as per accounting principles and disclose it in the financial report.

(IV) For a lawsuit filed by Yuanta Commercial Bank (hereinafter referred to as "Yuanta Bank".) against New Site Industries., Inc. (hereinafter referred to as "New Site") and Hsieh, Kuo-Ching et al. (hereinafter referred to as the "New Site case"), Yuanta Bank, on October 19, 2020, filed a civil lawsuit against the Company as it believed that Hsieh, Kuo-Ching was an employee of the Company, which should be liable for joint and several damages and pay NT$39,550 thousand, plus an interest of 5% per annum, from the day after the petition is served. The Company believes that New Site and such persons, without the consent of the company, engaged in false transactions since 2016 in the name of the Company and falsely claimed that they had receivables from the company and applied for a loan from Yuanta Bank, prompting it to file a civil lawsuit against the Company. Therefore, the Company, on May 6, 2021, filed a civil complaint against New Site and Hsieh, Kuo-Ching and among other 9 persons involved in the New Site case, demanding a payment of NT$39,550 thousand, plus an interest of 5% per annum, from the day after the petition is served. As this case is still in court, it is difficult to assess the impact on the Group. If there is any additional impact caused by this case in the future, the Group will evaluate and account for it as per accounting principles and disclose it in the financial report.

X. Losses due to major disasters: None.

XI. Material events after the balance sheet date: None.

XII. Others

(I) Impact of the U.S. anti-dumping case

Subject to the anti-dumping duties in the final determination by DOC against Taiwan and other countries on passenger and light truck tires on May 24, 2021, the duty was 20.04% for Cheng Shin Rubber Ind. Co., Ltd., 101.84% for Nankang Rubber Tire Corp., Ltd., and 84.75% for the rest (including the Group); the implementation of this tax rate has prompted the overall decline in orders received by the Group in the U.S, the major market of the Group, which has caused an impact on its operation. The Group comprehensively assessed the inventories affected by the U.S. anti-dumping case and the subsequent sales on December 31, 2021 and provided allowance for the relevant inventory valuation losses. Please refer to Note 6(6) for details.

(II) Termination of the Zhongli Plant's operation

The implementation of this tax rate has prompted the overall decline in orders received by the Group in the U.S, the major market of the

Group, which has caused an impact on its operation. To survive the current situation, pursue the sustainable development, and seek the best interests of the Group and its shareholders, the Company’s Board of Directors passed a resolution on June 15, 2021 to completely terminate the Zhongli Plant’s production and shift the focus of operations to the Guanyin Plant. The relevant impacts of and countermeasures against the shutdown of the Zhongli Plant are as follows:

1. The Group has completely terminated the production since late June 2021. On June 21, 2021, it filed a mass dismissal plan to the competent authority and handled it in accordance with labor laws and regulations and procedures. On June 29, 2021, a negotiation meeting was held with an agreement reached to reduce various expenditures. The severance pay recognized by the Group for 2021 was NT$203,245 thousand.
2. Orders from non-U.S. markets are accepted and shipped by the Guanyin Plant to maintain the client base and the Group’s operation.
3. U.S. orders are transferred to overseas OEMs to gradually resume supply to the U.S. market.
4. It works to produce and sells non-passenger car radial (PCR) and non-light truck (LT) tires, such as racing tires and develop other high value-added tires to enhance the Company's business performance.

Due to the U.S. anti-dumping case and the shutdown of the Zhongli

Plant, the Group various production equipment was impaired. Please refer to Note 6(8).

XIII. Additional disclosures

When this consolidated financial report was prepared, all material transactions between parent and subsidiaries and the balances have been completely eliminated.

(I) Information on significant transactions:

1. Loan to Others: Table 1.
2. Endorsements/Guarantees Provided to Others: None.
3. Securities Held at the End of the Period: None.
4. Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital: None.
5. Acquisition of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
6. Disposal of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
7. Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: Table 2.
8. Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: Table 3.
9. Trading in Derivative Instruments: None.
10. Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts: Table 4.

(II) Information on investees:

Names, Locations, and Other Information on Investees: Table 5.

(III) Information on investments in the Mainland Area:

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and the maximum amount of investment in the mainland China area: Table 6.
2. Any of the material transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, unrealized gains or losses, and other relevant information that facilitates the understanding of the impact of such investments on financial reporting: None.

(IV) Information on major shareholders:

Information on major shareholders: The name of shareholders with a shareholding of 5% or more, and the number and percentage of shares held: Table 7.

XIV. Department information

(I) General information:

The Group’s operating decision makers operate the business from a regional perspective, and the Group is currently focusing on domestic and American markets.

(II) Measurement of segment information:

The Group’s operating decision makers evaluate operating segments based on adjusted operating income. Finance income and expenses (such as interest income and expenses) are not allocated to the operating segments as such activities are managed by the finance department which is responsible for the Company's cash position.

(III) Information on segment income or loss, assets, and liabilities

The information on reportable segments provided to the chief operating decision makers is as follows:

Unit: NTD thousand

	2021			
	Domestic	Asia	America	Total
Income from external clients	$ 1,245,471	$ 53,152	$ 262,618	$ 1,561,241
Intersegment income	200,712	–	–	200,712
Segment income	$ 1,446,183	$ 53,152	$ 262,618	$ 1,761,953
Segment income or loss	$ (1,674,087)	$ (84,254)	$ (130,748)	$ (1,889,089)
Segment income or loss includes:				
Depreciation and amortization	$ 481,062	$ 44,810	$ 3,623	$ 529,495

	2020			
	Domestic	Asia	America	Total
Income from external clients	$ 4,220,442	$ 42,354	$ 1,441,867	$ 5,704,663
Intersegment income	1,427,058	–	–	1,427,058
Segment income	$ 5,647,500	$ 42,354	$ 1,441,867	$ 7,131,721
Segment income or loss	$ 261,175	$ (24,679)	$ 9,171	$ 245,667
Segment income or loss includes:				
Depreciation and amortization	$ 524,151	$ 2,736	$ 2,938	$ 529,825

(IV) Reconciliation for segment income or loss

1. Intersegment sales are conducted on an arm's length basis.

Income from external entities reported to the chief operating decision maker is measured in a consistent manner with that for the income in the statement of comprehensive income.

2. The reconciliation of income or loss and the net income (loss) before tax of reportable segments is as follows:

	2021	2020
Income or loss of reportable segments	$ (1,889,089)	$ 245,667
Elimination upon consolidation	204,803	11,718
Non-operating revenues and expenses	(616,657)	(114,502)
Net income (loss) before tax	$ (2,300,943)	$ 142,883

(V) Segment assets and liabilities

The Group's assets and liabilities measured are not an indicator for the operating decision makers, so the assets and liabilities that should be disclosed are NT$0.

(VI) Product information

Income from external clients mainly comes from the sale of tires.

(VII) Information by region

The information on the Group by region in 2021 and 2020 is as follows:

	2021		2020	
	Income	Non-current assets	Income	Non-current assets
Domestic	$1,245,471	$6,069,827	$4,220,442	$8,614,626
Asia	53,152	389,452	42,354	268,707
America	262,618	47,335	1,441,867	94,959
Total	$1,561,241	$6,506,614	$5,704,663	$8,978,292

1. The Group's income by region is calculated on the basis of the

region where income is received.

2. Non-current assets do not include financial instruments, guarantee deposits paid, and deferred tax assets.

(VIII) Important clients

The details of the Group's clients whose sales amounted to more than 10% of the total operating income in 2021 and 2020 are as follows:

	2021	2020
Company A (Note 1)	$ 14,419(Note 2)	$ 1,648,675

Note 1: From the domestic segments.

Note 2: The amount of income did not reach 10% of the Group's total income.

Table 1

Loan to Others

Unit: NTD thousand

No. (Note1)	Lender	Borrower	Account title (Note2)	Related party status	Highest balance for the period (Note 3)	Ending balance (Note 8)	Amount drawn	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debt	Collateral		Maximum amount for each borrower (Notes 7 and 9)	Aggregate maximum amount (Notes 7 and 9)
													Name	Value		
0	The Company	Federal Tire North America LLC.	Other receivables	Yes	$ 187,825	$ 228,280	$ 134,514	LIBOR 3M+1.75%	The need for short-term financing	$ —	For working capital	$ —	N/A	N/A	$ 1,061,605	$ 2,123,210
1	Federal International Holding. Inc.	The Company	Other receivables	Yes	69,625	69,625	69,225	0.84	The need for short-term financing	—	For working capital	—	N/A	N/A	1,061,605	2,123,210
2	Amberg Investments Pte. Ltd.	The Company	Other receivables	Yes	27,850	27,850	27,690	0.84	The need for short-term financing	—	For working capital	—	N/A	N/A	1,061,605	2,123,210

Note 1: The description of the No. column is as follows:
A. The Company is coded “0”.
B. The investees are coded sequentially beginning from “1” by each individual company.
Note 2: Accounts receivable from associates, receivables from related parties, transactions with shareholder, prepayments, temporary debits, etc., should be entered in this field if they are of a loan nature.
Note 3: The highest balance of loans to others in the year.
Note 4: The nature of loans shall be listed as a business transaction or a need for short-term financing.
Note 5: If the nature of a loan is for business transaction, the business transaction amount shall be entered. The business transaction amount refers to the business transaction amount between the lender and the borrower within the year preceding the transaction.
Note 6: If the nature of a loan is for a need for short-term financing, the reasons for the need for the loan and the purpose of the loan shall be specified, such as repayment of a loan, purchase of equipment, or working capital.
Note 7: The maximum amount for each borrower and the aggregate maximum amount set as per the loan to others procedures shall be indicated and the calculation method of the loan to each borrower and the maximum amount shall be indicated in the remarks column.
Note 8: If a publicly listed company submits a loan case to the Board of Directors for a resolution on a case-by-case basis in accordance with Article 14, paragraph 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, even though the loan has not been provided, the amount resolved by the Board of Directors shall be announced to disclose the risk borne; however, with subsequent repayment of the loan, the balance after repayment shall be disclosed to reflect the adjusted risk. If the publicly listed company has authorized the Chairman to appropriate funds for a loan multiple times over the course of one year or in a revolving line of credit as resolved by the board of directors in accordance with Article 14, paragraph 2 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the loan amount approved by the Board of Directors shall still be announced. Although the loan will be repaid later, considering the possibility of provision of another loan, the loan amount approved by the Board of Directors should still be adopted for announcement.
Note 9: The total amount of loans by the Company to others shall not exceed 40% of the Company's net worth. The maximum amount for each borrower is as follows:
A. When there is a need for short-term financing to a subsidiary, the maximum amount shall not exceed 20% of the Company's net worth.
B. The company or bank with business dealings with the Company: The maximum amount shall not exceed 20% of the borrower's net worth and shall not exceed the total amount of business transactions between both parties in the last year (the business transaction amount refers to the amount of purchases or sales between both parties, whichever is higher).
C. If the Company provides a loan to its subsidiary not in excess of 10% of the Company's net worth as per the most recent financial statements, the Chairman may be authorized to appropriate funds for the loan multiple times or in a revolving line of credit during the loan period.
The total amount of loans between foreign companies, in which the Company directly or indirectly hold 100% of their voting shares, shall not exceed 200% of the borrower’s net worth as per the most recent financial statements, either for the needs for capital or for business transactions.

Table 2

Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital

Company	Transaction counterparty	Relationship	Transaction details				Circumstances and reasons that transaction terms are different from general ones (Note 1)		Notes or accounts receivable (payable)		Remarks (Note 2)
			Purchase (sale)	Amount	As a percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Federex Marketing Co., Ltd.	Subsidiary	Monetary amount of sales	$ 129,992	11%	Payment by wire transfer after 120 days from the 1st day of the following month	Determined depending on sales	The general credit term is net 90 to 180 days after the end of the month	$ 14,701	5%	
Federex Marketing Co., Ltd.	The Company	Parent company	Monetary amount of procurement	129,992	83%	〃	—	—	14,701	99%	

Note 1: If the transaction term with related parties are different from the general transaction ones, the situation and reasons for the difference shall be specified in the column of unit price and credit period.

Note 2: If there is an advance receipt (prepayment), the reason, contract terms, amount, and the difference from the general transaction type shall be specified in the remarks column.

Note 3: Paid-in capital refers to the parent company’s paid-in capital. If the issuer's stock is no-par-value stock or the par value per share is not NT$10, criterion for the transaction amount of 20% of the paid-in capital shall be based on the 10% of equity attributable to the owner of the parent company on the balance sheet.

Table 3

Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital

Company with accounts receivable	Transaction counterparty	Relationship	Balance of receivables from related parties (Note 1)	Turnover (times)	Overdue receivables from related parties		Amount recovered from related party after the balance sheet date	Allowance for bad debt
					Amount	Response method		
The Company	Federal Tire North America LLC.	Subsidiary	Accounts receivable $ 10,810 Other receivables $ 135,928	0.07	$ 134,514	Payments are being collected	$ —	$ —

Note 1: Please enter accounts receivable, notes receivable, other receivables, etc. separately.

Note 2: Paid-in capital refers to the parent company's paid-in capital. If the issuer's stock is no-par-value stock or the par value per share is not NT$10, criterion for the transaction amount of 20% of the paid-in capital shall be based on the 10% of equity attributable to the owner of the parent company on the balance sheet.

Table 4

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts

From January 1, 2021 to December 31, 2021

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note 2)	Transaction details				Remark
				Account title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%) (Note 4)	
0	The Company	Federex Marketing Co., Ltd.	1	Sales income	$ 129,992	Payment by wire transfer after 120 days from the 1st day of the following month	8%	
0	The Company	Federal Tire North America LLC.	1	Other receivables	135,928	Note 5	1%	
				Sales income	27,140	The credit period is net 180 days after the end of the month	2%	
0	The Company	Taixin Construction Co., Ltd.	1	Operating expenses	33,941		2%	
0	The Company	Taicheng Development Co., Ltd.	1	Manufacturing overhead	32,385		2%	
1	Federal International Holding. Inc.	Federal Corporation	2	Other receivables	69,408	Note 5	1%	

Table 4-1

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts

From January 1, 2020 to December 31, 2020

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note 2)	Transaction details				Remark
				Account title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%) (Note 4)	
0	The Company	Federal Tire North America LLC.	1	Monetary amount of sales	$ 1,250,934	Net 180 days after the end of the month	22%	
				Accounts receivable	603,178	〃	4%	
0	The Company	Federex Marketing Co., Ltd.	1	Monetary amount of sales	122,948	Payment by wire transfer after 120 days from the 1st day of the following month	2%	

Note 1: The information on the business transactions between the parent company and its subsidiaries shall be indicated in the No. column. The code shall be entered as follows:
1. The parent company is coded “0”.
2. The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2: There are three types of relations with the counterparty, just indicate the code (If it is the same transaction between parent and subsidiary or between subsidiaries, it does not need to be disclosed repeatedly. For example, if the parent company has disclosed a transaction between it and a subsidiary, the subsidiary does not need to disclose the same transaction again; if a subsidiary has disclosed a transaction between it and another subsidiary, the other subsidiary does not need to disclose the same transaction again):
1. Parent company to subsidiary
2. Subsidiary to parent company
3. Between subsidiaries

Note 3: Regarding the transaction amount as a percentage of the consolidated total revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the consolidated total assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the consolidated total revenue.

Note 4: Any transaction amount that does not reach 1% of the consolidated total revenue or consolidated total assets will not be disclosed; instead, it will be disclosed in the aspects of assets and income.

Note 5: The transaction mainly belongs to the loan category, so it is not applicable.

Table 5

Names, Locations, and Other Information on Investees (Not Including Investees in Mainland China)

Investor	Investee (Notes 1 and 2)	Location	Principal business	Initial investment amount		End of the period			Income (loss) on investee in this period (Note 2 (2))	Investment income (loss) recognized in this period (Note 2 (3))	Remark
				End of this period	End of last year	Number	%	Carrying amount (Note 3)			
The Company	Federex Marketing Co., Ltd.	Taiwan	Sales of various vehicle tire wheels and spare parts	$ 190,000	$ 190,000	19,000,000	100%	$ 222,161	$ 9,049	$ 9,049	Subsidiary
〃	Taixin Construction Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	330,000	330,000	33,000,000	100%	433,550	3,584	3,584	Subsidiary
〃	Taicheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	150,000	160,000	15,000,000	100%	1,449,935	9,900	9,900	Subsidiary
〃	Rongcheng Development Co., Ltd.	Taiwan	Contracting of builders to build residential and commercial buildings for lease and sale	10,000	—	1,000,000	100%	173,009	(49)	(49)	Subsidiary
〃	Federal International Holding Inc.	Cayman Islands	General investment	2,149,877	2,149,877	65,331,062	100%	1,094,548	(227,287)	(227,287)	Subsidiary
Federal International Holding Inc.	Amberg Investments Pte. Ltd.	Singapore	General investment	2,072,937	2,072,937	103,587,418	100%	1,041,744	(116,634)	(116,634)	Sub-subsidiary
〃	Federal Tire North America LLC.	USA	Distribution of tires	6,437	6,437	—	100%	(62,933)	(116,041)	(116,041)	Sub-subsidiary
〃	Winberg Investments Pte. Ltd.	Independent State of Samoa	General investment	—	3,192	—	100%	—	(197)	(197)	Sub-subsidiary (Note 4)
〃	Karroy Development Limited	Hong Kong	Commercial building rental business	74,566	74,566	2,000,000	100%	43,463	7,819	7,819	Sub-subsidiary

Note 1: If a publicly listed company has a foreign holding company and uses consolidated financial statements as its main financial report in accordance with local laws and regulations, the information on the foreign investee may only be limited to the holding company.

Note 2: For cases other than those mentioned in Note 1, enter information according to the following rules:

(1) The columns of "Investee", "Location", "Principal business", "Initial investment amount", and "End of the period" shall be based on the investment situation of the (publicly listed) company and the investment by each directly or indirectly controlled investee, and the relations between each investee company and the (publicly listed) company shall be indicated in the remarks column (e.g., a subsidiary or a sub-subsidiary company).

(2) Enter the current income or loss on each investee company in the "Income (loss) on investee in this period" column.

(3) Enter the income or loss on the direct investment in each subsidiary recognized by this (publicly listed) company and on each investee valuated using the equity method in the “Investment income (loss) recognized in this period” column, and the rest is exempted. Confirm that the income or loss on each subsidiary for this period has included the investment income or loss on recognized that shall be recognized in accordance with the regulations when entering information in “Income or loss on the direct investment in each subsidiary recognized”.

Note 3: The amount of the Company's stocks held by subsidiaries, regarded as treasury shares, at the end of the period is not excluded.

Note 4: Winberg Investments Pte. Lte. was liquidated on December 31, 2020 as per the resolution adopted by the Board of Directors (on behalf of the shareholders’ meeting), and the liquidation process was completed on October 25, 2021.

Table 6

Information on investments in the Mainland Area

Investee Company Name	Principal business	Paid-in capital (Note 5)	Investment method	Cumulative investment remitted from Taiwan, beginning of this period (Note 5)	The investment amount remitted from Taiwan or recovered in this period		Cumulative investment remitted from Taiwan, end of this period (Note 5)	Shareholding ratio in direct or indirect investment	Investment income or loss recognized in this period (Note2)	Book value of investments at the end of the period	Cumulative repatriation of investment income as of the end of this period
					Outward	Inward					
Federal Tire (Jiangxi) Co., Ltd.	Production and sales of various tires and rubber products	$ 2,149,974	Note 1	$ 2,149,974	$ —	$ —	$ 2,149,974	100%	$ (100,695)	$ 998,914	$ —

Cumulative outward remittances for investment in mainland China as of the end of this period (Note 5)	Investment amount approved by Investment Commission, MOEA (Note 4)	Limit on investment amount stipulated by Investment Commission, MOEA (Note 3)
$ 2,149,974	$ 2,149,974	$ 3,184,815

Note 1: Investment in companies in China through Amberg Investments Pte. Ltd.

Note 2: Based on the investees' financial reports for the same period audited by the CPAs of the parent company in Taiwan.

Note 3: As per the Principles for the Review of Investments or Technical Cooperation in Mainland China released by the Investment Commission, MOEA, the cumulative amount of the investments in businesses in mainland China limited to NT$80 million or 60% of the net worth or the consolidated net worth, whichever is higher.

Table 7

Information on major shareholders

Shares / Major shareholders	Number of shares held (shares)	Percentage of Shares Held
Nankang Rubber Tire Corp., Ltd.	148,768,000	31.43%
Zhikai Development Co., Ltd.	28,200,000	5.95%
Taifu Investment Co., Ltd.	25,590,991	5.40%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with registration of dematerialized securities completed (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial report may differ from the actual number of shares that have been issued and delivered with registration of dematerialized securities completed as a result of different basis of preparation.

Note 2: If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.