Stock Code: 2102

Federal Corporation

Standalone financial reports and auditor’s report

for the Years Ended December 31, 2021 and 2020

Address: No. 369, Section 2, Zhonghua Road, Zhongli District, Taoyuan City

TEL: (03) 452-2156

Federal Corporation

Table of Contents of Standalone Financial Report for the Years Ended December 31, 2021 and 2020

Auditor’s Report

NO.23931100A

To Federal Corporation,

Opinion

We have reviewed the accompanying standalone balance sheets of Federal Corporation (the “Company”) for the years ended December 31, 2021 and 2020 and the relevant standalone 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 “standalone financial statements”).

In our opinion, the accompanying standalone financial report presents fairly, in all material respects, the standalone financial position of the Company as of December 31, 2021 and 2020 and for the years then ended, and its standalone financial performance and standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 standalone financial report”. We are independent of the Company 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 standalone financial report of the Company for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the standalone 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 standalone financial report of the Company for the year ended December 31, 2021, are stated as follows:

<u>Valuation of inventories</u>

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

The Company'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 Company 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 Company, 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.

<u>Assessment of impairment of property, plant and equipment</u>

Please refer to Note 4(10) to the standalone financial report for the accounting policy on impairment of non-financial assets; please refer to Note 5 to the standalone financial report for the uncertainty of accounting estimates and assumptions of impairment of non-financial assets; please refer to Note 6(9) to the standalone 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 Company'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 Company’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 standalone 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 Company's standalone 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.

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

The responsibilities of the management are to prepare the standalone financial report with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 standalone financial report, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

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

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

Our objectives are to obtain reasonable assurance on whether the standalone 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 standalone 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 standalone 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 Company'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 Company'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 standalone 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 Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the standalone financial report (including relevant notes), and whether the standalone financial report adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the standalone financial report. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Company.

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 Company's standalone 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

Standalone Balance Sheet

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)	$ 591,340	6	$ 774,103	5
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	844	—	1,156	—
1150	Notes receivable, net	4 and 6(5)	2,583	—	2,441	—
1170	Accounts receivable, net	4 and 6(5)	246,337	2	960,232	7
1181	Accounts receivable - related party	4 and 7	25,511	—	646,970	5
1200	Other receivables	4 and 7	150,792	1	1,856	—
1220	Current income tax assets	4 and 6(26)	175	—	161	—
130x	Inventories	4 and 6(6)	519,294	5	649,093	5
1410	Prepayments		81,314	1	117,945	1
1460	Non-current assets held for sales	4 and 6(7)	—	—	429,966	3
1481	Right to products returned by customers - current	4 and 6(21)	—	—	172,472	1
11xx	Total current assets		1,618,190	15	3,801,433	27
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	4 and 6(3)	—	—	391,450	3
1550	Investment under equity method	4 and 6(8)	3,190,168	29	2,994,327	22
1600	Property, plant and equipment	4, 6(9), and 8	5,996,071	55	6,396,230	46
1755	Right-of-use assets	4 and 6(10)	3,928	—	9,396	—
1780	Intangible assets	4 and 6(11)	14,600	—	10,531	—
1840	Deferred tax assets	4 and 6(26)	91,893	1	98,853	1
1920	Guarantee deposits paid	7 and 8	44,750	—	12,965	—
1900	Other non-current assets	6(12)	27,790	—	169,194	1
15xx	Total non-current assets		9,369,200	85	10,082,946	73
1xxx	Total assets		$ 10,987,390	100	$ 13,884,379	100

(Continued on next page)

Federal Corporation

Standalone Balance Sheet (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)	$ 1,048,607	10	$ 926,441	7
2130	Contract liabilities - current	4 and 6(21)	22,930	—	32,320	—
2170	Accounts payable	6(14) and 7	55,934	1	293,711	2
2200	Other payables	6(15) and 7	259,057	2	540,604	4
2250	Provision - current	4 and 6(16)	93,781	1	38,821	—
2280	Lease liabilities - current	4 and 6(10)	1,958	—	6,416	—
2322	Long-term borrowings - current portion	6(17)	306,550	3	297,593	2
2365	Refund liabilities - current	4 and 6(21)	13,871	—	226,786	2
2300	Other current liabilities		24,248	—	21,401	—
21xx	Total current liability		1,826,936	17	2,384,093	17
	Non-current liability					
2540	Long-term borrowings	6(17)	3,810,069	35	3,805,271	28
2580	Lease liabilities - non-current	4 and 6(10)	2,010	—	3,079	—
2640	Net defined benefit liability - non-current	4 and 6(18)	38,643	—	145,852	1
2645	Guarantee deposits received		1,707	—	2,659	—
25xx	Total non-current liability		3,852,429	35	3,956,861	29
2xxx	Total liability		5,679,365	52	6,340,954	46
	Total equity					
3110	Ordinary share capital	6(19)	4,733,292	43	4,733,292	34
3200	Capital reserve		156,764	1	156,764	1
	Retained earnings					
3310	Legal reserve		736,014	7	732,944	5
3320	Special reserve		1,913,109	18	1,911,517	14
3350	Undistributed earnings (deficit to be compensated)		(1,823,383)	(17)	30,708	—
3400	Other equity		(224,736)	(2)	161,235	1
3500	Treasury stock		(183,035)	(2)	(183,035)	(1)
3xxx	Total equity		5,308,025	48	7,543,425	54
	Total liabilities and Equity		$ 10,987,390	100	$ 13,884,379	100

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

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

Federal Corporation
Standalone Statement of Comprehensive Income
for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Code	Item	Note	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	4, 6(21), and 7	$ 1,190,691	100	$ 5,399,165	100
5000	Operating cost	6 (6 and 27) and 7	(1,895,492)	(159)	(4,209,110)	(78)
5900	Gross profit (loss)		(704,801)	(59)	1,190,055	22
6000	Operating expenses	6(27) and 7				
6100	Marketing expense		(460,704)	(39)	(610,194)	(11)
6200	Management expense		(383,063)	(32)	(204,657)	(4)
6300	R&D expense		(126,821)	(10)	(123,761)	(2)
6450	Expected credit impairment gain	6(5)	4,832	–	2,556	–
	Total operating expenses		(965,756)	(81)	(936,056)	(17)
6900	Operating income (loss)		(1,670,557)	(140)	253,999	5
7000	Non-operating revenues and expenses					
7100	Interest income	6(22) and 7	2,681	–	876	–
7010	Other income	6 (3 and 23) and 7	20,194	2	12,994	–
7020	Other gains and losses	6 (2, 9, and 24)	(426,946)	(36)	(66,391)	(2)
7050	Financial costs	6(25) and 7	(63,573)	(5)	(64,011)	(1)
7070	Share of profit or loss of subsidiaries recognized using the equity method	4	(204,803)	(17)	(12,039)	–
	Total non-operating income and expenses		(672,447)	(56)	(128,571)	(3)
7900	Net income (loss) before tax		(2,343,004)	(196)	125,428	2
7950	Income tax expense	4 and 6(26)	(6,960)	(1)	(13,951)	–
8200	Net income (loss) for the period		(2,349,964)	(197)	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)	38,211	3	(19,050)	–
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	4 and 6(19)	97,993	8	124,373	2
8331	Remeasurement of defined benefit plans of subsidiaries recognized using the equity method	4	(203)	–	(1,491)	–
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	10	112,158	2
8500	Total comprehensive income for the period		$ (2,225,933)	(187)	$ 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 Standalone Financial Report)

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

Federal Corporation

Standalone Statement of Changes in Equity

for the Years Ended December 31, 2021 and 2020

Unit: NTD thousand

Item	Ordinary share capital	Capital reserve	Retained earnings			Other equity items		Treasury stock	Total equity
			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		
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	—	233,635
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 Standalone Financial Report)

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

Federal Corporation

Standalone 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	$ (2,343,004)	$ 125,428
Adjustments:		
Income and expenses		
Depreciation expense	407,522	421,367
Amortization expense	57,327	82,320
Expected credit impairment gain	(4,832)	(2,555)
Net gain on financial assets at fair value through profit or loss	(100)	(1,290)
Interest expense	63,573	64,011
Interest income	(2,681)	(876)
Dividend income	(6,324)	(6,324)
Share of profit or loss of subsidiaries recognized using the equity method	204,803	12,039
Loss (gain) on disposal of property, plant and equipment	(1,208)	40
Amount of property, plant and equipment reclassified to expenses	4,922	—
Impairment losses on non-financial assets	331,032	—
Lease modification gain	(31)	—
Changes in assets/liabilities related to operating activities:		
Financial assets mandatorily at fair value through profit or loss	—	1,915
Notes receivable	(142)	340
Accounts receivable	1,003,609	(252,587)
Other receivables	(23,875)	(1,291)
Inventories	302,271	3,840
Prepayments	36,708	(28,744)
Contract liabilities	(9,390)	9,049
Accounts payable	(237,777)	44,923
Other payables	(144,669)	106,786
Provision	54,960	—
Other current liabilities	2,847	(26,798)
Net defined benefit liability	(68,998)	(18,606)
Cash inflow (outflow) from operations	(373,457)	532,987
Interest received	1,282	826
Dividends received	6,324	6,324
Cash dividends from investments recognized using the equity method	17,149	34,996
Interest paid	(64,012)	(65,226)
Income tax paid (refunded)	(14)	12
Net cash inflow (outflow) from operating activities	(412,728)	509,919

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Federal Corporation

Standalone 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	—	(545)
Financial assets at amortized cost disposed of	312	—
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	—
Capital returned due to liquidation of investee using the equity method	—	29,673
Property, plant and equipment acquired	(369,391)	(280,812)
Property, plant and equipment disposed of	1,594	—
Increase in guarantee deposits paid	(45,344)	(6,249)
Decrease in guarantee deposits paid	13,482	5,065
Intangible assets acquired	(3,895)	—
Increase in other non-current assets	(21,770)	(125,786)
Net cash inflow (outflow) from investing activities	109,569	(423,654)
Cash flow from financing activities:		
Increase in short-term borrowings	122,166	458,508
Long-term borrowings	190,510	115,969
Repayment of long-term borrowings	(176,755)	(188,833)
Increase in guarantee deposits received	3	20
Decrease in guarantee deposits received	(955)	(18)
Repayment of lease principal	(5,118)	(7,828)
Cash dividends paid out	(9,455)	—
Net cash inflow from financing activities	120,396	377,818
Increase (decrease) in cash and cash equivalents in the period	(182,763)	464,083
Opening balance of cash and cash equivalents	774,103	310,020
Ending balance of cash and cash equivalents	$ 591,340	$ 774,103

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

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

Federal Corporation

Notes to Standalone 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 Company's principal business is the manufacturing and sales of automobile tires and rubber.

The standalone 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 standalone 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 Company'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 Company'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
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 Company’s financial position and financial performance based on its assessment.

IV. Summary of significant accounting policies

The Company’s summary of significant accounting policies is as follows:

(I) Statement of compliance

The standalone financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The standalone financial report has been prepared on the historical cost basis except for the financial instruments at fair value 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the standalone financial report are disclosed in Note 5.

When the Company prepares the standalone financial report, it adopts the equity method for investment in subsidiaries. To ensure that the current year's profit or loss, other comprehensive income, and equity in this standalone financial report are the same as the current year's profit or loss, other comprehensive income, and equity attributable to the owners of the Company in the Company's consolidated financial report, certain differences between the standalone basis and the consolidated basis are adjusted through accounting treatment for "Investment under equity method", "Share of profit or loss of subsidiaries using the equity method", "Share of other comprehensive income of subsidiaries using the equity method", and relevant equity items.

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

liabilities

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.

(IV) Foreign currency

In preparing the Company's financial report, transactions in currencies other than the Company’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 standalone 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.

(V) 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.

(VI) Non-current assets held for sales

Non-current assets 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 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 the remaining investment in said subsidiary after the sale are retained, the investment in the subsidiary is fully classified as investment held for sale but continues to be treated using the equity method.

Non-current assets 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.

(VII) Investment under equity method

The Company adopts the equity method to account for investments in subsidiaries.

Subsidiaries are entities over which the Company has control. Under the equity method, the investment is initially recognized at cost, and the carrying amount after the acquisition increases or decreases with the Company's share of profit or loss and other comprehensive income of subsidiaries and profit margins assigned. In addition, changes in other equity to which the Company is entitled in subsidiaries are recognized in proportion to its shareholding.

When a change in the Company’s ownership interest in a subsidiary does not lead to the loss of the Group’s control, it is treated as an equity transaction. Any difference between the carrying amount of the investment are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses on a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term equity that, in substance, forms part of the Company’s net investment in said subsidiary), the Company continues recognizing its share of further losses.

The amount of the acquisition cost in excess of the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes the business on the acquisition date is classified as goodwill, which is included in the carrying amount of the investment and cannot be amortized. The amount of the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes the business on the acquisition date in excess of the amount of the acquisition cost is classified as current income.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized. The impairment loss attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when the control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when the control is lost are recognized in current profit or loss. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(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 Company 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) 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 Company 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.

(X) Impairment of non-financial assets

The Company 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 Company 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.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the standalone balance sheet when the Company 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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company's remaining equity after the assets have been deducted from all of its liabilities. Equity instruments issued by the Company 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 Company 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.

(XII) Provision

When the Company 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.

(XIII) Revenue recognition

After the Company 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 Company 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 Company 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 Company, 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 Company 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.

(XIV) Leasing

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

The Company 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 standalone 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 Company 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 standalone balance sheets.

(XV) 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 Company 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.

(XVI) 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.

(XXVII) Income tax

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

1. Current income tax

   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 Company 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 Company 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) <u>Critical accounting judgments and key source of estimation and uncertainty</u>

In the application of the Company'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 Company'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 Company 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 Company 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 Company's assumptions about default rate and expected loss ratio. The Company 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 Company 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	$ 200	$ 200
Demand deposit and checking deposit	101,171	47,698
Cash equivalents		
Bank time deposit	124,609	155,786
Notes under repurchase agreement	365,360	570,419
Total	$ 591,340	$ 774,103

The financial institutions the Company deals with have high credit ratings. The Company 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:		
Fund beneficiary certificates	$ —	$ 45,038

The Company'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 Company 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 Company 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 Company 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	$ 844	$ 1,156
Interest rate range	0.18%～0.28%	0.4%～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	$ 2,583	$ 2,441
Accounts receivable		
At amortized cost		
Total carrying amount	$ 280,371	$ 1,020,981
Less: Allowance for losses	(34,034)	(60,749)
	$ 246,337	$ 960,232

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 Company'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 Company 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 Company 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 Company could not reasonably expect the amount to be recovered, the Company 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 Company's allowance for losses on accounts receivable:

	December 31, 2021						
	Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
ECLs	0.11%	1.43%	9.40%～20.51%	31.55%～43.39%	50.17%～71.71%	100%	
Total carrying amount	$ 206,717	$ 39,320	$ 1,606	$ —	$ 396	$ 32,332	$ 280,371
Allowance for losses (lifetime ECLs).	(241)	(596)	(656)	—	(209)	(32,332)	(34,034)
At amortized cost	$ 206,476	$ 38,724	$ 950	$ —	$ 187	$ —	$ 246,337

	December 31, 2020						
	Not past due	1–30 days	31–90 days	91–180 days	181–365 days	Over 365 days	Total
ECLs	0.11%	1.43%～5%	9%～21%	32%～43%	50%～72%	100%	
Total carrying amount	$ 872,431	$ 89,822	$ 3,432	$ —	$ —	$ 55,296	$ 1,020,981
Allowance for losses (lifetime ECLs).	(809)	(4,321)	(323)	—	—	(55,296)	(60,749)
At amortized cost	$ 871,622	$ 85,501	$ 3,109	$ —	$ —	$ —	$ 960,232

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

	2021	
	Notes receivable	Accounts receivable

Opening balance	$ —	$ 60,749
Reversal of impairment loss for this period	—	(4,832)
Write-off in this period	—	(21,883)
Ending balance	$ —	$ 34,034

	2020	
	Notes receivable	Accounts receivable
Opening balance	$ —	$ 63,305
Reversal of impairment loss for this period	—	(2,556)
Ending balance	$ —	$ 60,749

(VI) Inventories

	December 31, 2021	December 31, 2020
Finished goods	$ 224,015	$ 248,373
Work in progress	39,537	93,885
Raw materials	175,718	168,799
Supplies	78,453	76,003
Merchandise inventories	1,571	2,052
Goods in transit	—	59,981
Total	$ 519,294	$ 649,093

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

	2021	2020
Cost of inventory sold	$ 1,163,648	$ 4,221,141
Inventory valuation loss (gain from price recovery)	258,428	(11,636)
Unallocated overhead	461,927	—
Others	11,489	(395)

Total	$ 1,895,492	$ 4,209,110

1. The recovery of the net realizable value of the Company'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 Company was affected by the anti-dumping duties in the final determination by DOC. To avoid inventory backlog, the Company'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) Non-current assets held for sales

	December 31, 2021	December 31, 2020
Investment under equity method	$ —	$ 429,966

1. The Company’s Board of Directors resolved a decision, on November 13, 2019, to dispose of the entire equity of subsidiary Taixin. This investment using the equity method was reclassified to a non-current asset held for sale. However, as mentioned in Note 6(7)2, as of December 31, 2021, as it no longer met the definition of non-current assets held for sale on December 31, 2021, the Company discontinued classifying said asset as held for sale. When the asset was 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, 2020.

2. The Company'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 Company'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 Company 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.

(VIII) Investment under equity method

Investment in subsidiaries

	December 31, 2021	December 31, 2020
Non-publicly listed companies		
Federex Marketing Co., Ltd.	$ 222,161	$ 213,315
Taixin Construction Co., Ltd.	433,550	—
Taicheng Development Co., Ltd.	1,449,935	1,630,242
Rongcheng Development Co., Ltd.	173,009	—
Federal International Holding Inc.	1,094,548	1,333,805

Subtotal	3,373,203	3,177,362
Add: The Company's stocks held by subsidiaries, regarded as treasury shares	(183,035)	(183,035)
Total	$ 3,190,168	$ 2,994,327

1. The percentage of the Company's of ownership interest, equity, and voting rights in its subsidiaries on the balance sheet date are as follows:

Subsidiary	Percentage of the Company's of ownership interest	
	December 31, 2021	December 31, 2020
Federex Marketing Co., Ltd.	100%	100%
Taixin Construction Co., Ltd.	100%	100%
Taicheng Development Co., Ltd.	100%	100%
Rongcheng Development Co., Ltd.	100%	–
Federal International Holding Inc.	100%	100%

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.

2. The Company's Board of Directors resolved a decision, on November 13, 2019, to dispose of the entire equity of subsidiary Taixin. The relevant investment using the equity method was reclassified to a non-current asset held for sale. However, as it no longer met the definition of non-current assets held for sale on December 31, 2021, the Company discontinued classifying said asset as held for sale. See Note 6(7) for details.

3. Please refer to Table 5 for details of the investment in subsidiaries indirectly held by the Company.

(IX) Property, plant and equipment

Item	2021				
	Opening balance	Addition	Disposal	Reclassification	Ending balance
Cost					
Land	$ 1,410,176	$ —	$ —	$ —	$ 1,410,176
Buildings	1,269,033	1,170	—	—	1,270,203
Machinery and equipment	6,181,954	220,400	(122,227)	—	6,280,127
Transportation equipment	171,471	3,028	(17,559)	—	156,940
Office equipment	236,003	1,327	(17,364)	—	219,966
Other equipment	1,178,690	61,690	(19,922)	—	1,220,458
Unfinished construction	244,798	65,745	—	(19,669)	290,874
Subtotal	10,692,125	353,360	(177,072)	(19,669)	10,848,744
Accumulated depreciation					
Buildings	98,000	28,620	—	—	126,620
Machinery and equipment	3,013,755	237,361	(122,189)	—	3,128,927
Transportation equipment	96,626	21,538	(17,495)	—	100,669
Office equipment	140,519	23,705	(16,936)	—	147,288
Other equipment	946,995	91,208	(19,832)	—	1,018,371
Subtotal	4,295,895	402,432	(176,452)	—	4,521,875
Cumulative impairment					
Machinery and equipment	—	293,298	(18)	—	293,280
Transportation equipment	—	5,439	—	—	5,439
Office equipment	—	3,437	(174)	—	3,263
Other equipment	—	28,858	(42)	—	28,816
Subtotal	—	331,032	(234)	—	330,798
Net amount	$ 6,396,230	$ (380,104)	$ (386)	$ (19,669)	$ 5,996,071

Item	2020				
	Opening balance	Addition	Disposal	Reclassification	Ending balance
Cost					
Land	$ 1,410,176	$ —	$ —	$ —	$ 1,410,176
Buildings	1,267,284	—	—	1,749	1,269,033

Machinery and equipment	6,021,362	9,094	(23,827)	175,325	6,181,954
Transportation equipment	161,529	4,616	—	5,326	171,471
Office equipment	248,080	2,197	(24,494)	10,220	236,003
Other equipment	1,040,815	146,011	(8,136)	—	1,178,690
Unfinished construction	251,338	195,302	—	(201,842)	244,798
Subtotal	10,400,584	357,220	(56,457)	(9,222)	10,692,125
Accumulated depreciation					
Buildings	69,431	28,569	—	—	98,000
Machinery and equipment	2,779,232	258,350	(23,827)	—	3,013,755
Transportation equipment	74,950	21,676	—	—	96,626
Office equipment	139,696	25,277	(24,454)	—	140,519
Other equipment	875,290	79,841	(8,136)	—	946,995
Subtotal	3,938,599	413,713	(56,417)	—	4,295,895
Net amount	$ 6,461,985	$ (56,493)	$ (40)	$ (9,222)	$ 6,396,230

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

Buildings	8–50 years
Machinery and equipment	2–25 years
Transportation equipment	4–11 years
Office equipment	2–9 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 Company was 84.75%, and the anti-dumping duties in the final determination seriously affected the Company’s main sales in the U.S. market and the Company’s operations. To survive the current situation, pursue the sustainable development, and seek the best interests of the Company 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$331,032 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.

(X) <u>Lease agreements - lessee</u>

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		
Buildings	$ —	$ 2,928
Transportation equipment	3,928	6,468
Total	$ 3,928	$ 9,396

	2021	2020
Depreciation expense on right-of-use assets		
Buildings	$ 1,708	$ 2,928
Transportation equipment	3,382	4,726
Total	$ 5,090	$ 7,654

(2) The increases in the Company's right-of-use assets in 2021 and 2020 were NT$1,238 thousand and NT$2,836 thousand, respectively.

(3) Except for the addition and recognition of depreciation expenses listed above, the Company'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	$ 1,958	$ 6,416
Non-current	$ 2,010	$ 3,079

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

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

3. Important leasing activities and terms

The assets leased by the Company include land, property, and company vehicles, and the lease terms usually range from 1 to 5 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.

4. Other leasing information

	2021	2020
Short-term lease expenses	$ 66,454	$ 60,247
Low-value asset lease expenses	$ 972	$ 1,241
Total cash outflow from leases	$ 72,647	$ 69,301

The Company has elected to apply the recognition exemption for land, 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.

(XI) Intangible assets

2021

Item	Opening balance	Addition	Disposal	Reclassification	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	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	17,340	42,696

Other assets - other	2,506	2,506
Total	$ 27,790	$ 169,194

(XIII) Short-term borrowings

	December 31, 2021	December 31, 2020
Bank unsecured borrowings	$ 1,048,607	$ 926,441
Interest rate range	0.6141%~1.35%	0.90%～1.85%

(XIV) Accounts payable

	December 31, 2021	December 31, 2020
Accounts payable	$ 55,934	$ 293,711

Please refer to Note 6(30) for disclosures about the Company'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	$ 55,758	$ 146,442
Freight payable	10,723	101,289
Business facilities payable	9,545	145,996
Others	74,234	134,904
Other payables - related party	108,797	11,973
Total	$ 259,057	$ 540,604

Other payables mainly include 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	$ 38,821	$ —	$ 38,821

Increase in this period	772	62,557	63,329
Drawn in this period	(8,369)	—	(8,369)
Ending balance	$ 31,224	$ 62,557	$ 93,781

	2020		
	Warranty liabilities	Short-term liabilities pending conclusion of the legal proceedings	Total
<u>Current</u>			
Opening balance	$ 28,738	$ —	$ 28,738
Increase in this period	14,715	—	14,715
Drawn in this period	(4,632)	—	(4,632)
Ending balance	$ 38,821	$ —	$ 38,821

1. Warranty liabilities

The provision for the Company'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 Company 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 Company for compensation. For this case, as the Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 has 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 makes 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. The pensions recognized by the Company in the consolidated statement of comprehensive income for 2021 and 2020 were NT$19,735 thousand and NT$25,249 thousand, respectively.

2. Defined benefit plan

The Company has 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 makes a contribution equal to 10% 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 Company 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 Company 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 balance sheets in respect of such defined benefit plans are as follows:

	December 31, 2021		December 31, 2020	
Present value of defined benefit obligations	$	(67,858)	$	(285,232)
Fair value of plan asset		29,215		139,380
Net defined benefit liability	$	(38,643)	$	(145,852)

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, 2021	$	(285,232)	$	139,380	$	(145,852)
Service cost						
Current service cost		(4,415)		–		(4,415)
Interest expense (income)		(847)		428		(419)
Service cost in the prior period		53,859		–		53,859
liquidation gain or loss		3,147		(3,080)		67
Recognized in profit or loss		51,744		(2,652)		49,092
Remeasurement						
Return on plan asset (excluding amounts included in interest		–		1,711		1,711

income or expenses)			
Effect of changes in demographic assumptions	(182)	—	(182)
Effect of changes in financial assumptions	5,819	—	5,819
Experience adjustments	30,863	—	30,863
Recognized in other comprehensive income	36,500	1,711	38,211
Contributions to pension	—	17,746	17,746
Pension paid	129,130	(126,970)	2,160
Balance on December 31, 2021	$ (67,858)	$ 29,215	$ (38,643)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Balance on January 1, 2020	$ (264,907)	$ 119,499	$ (145,408)
Service cost			
Current service cost	(4,181)	—	(4,181)
Interest expense (income)	(1,831)	854	(977)
Recognized in profit or loss	(6,012)	854	(5,158)
Remeasurement			
Return on plan asset (excluding amounts included in interest income or expenses)	—	3,974	3,974
Effect of changes in demographic assumptions	(2)	—	(2)
Effect of changes in financial assumptions	(11,941)	—	(11,941)
Experience adjustments	(11,081)	—	(11,081)
Recognized in other comprehensive income	(23,024)	3,974	(19,050)
Contributions to pension	—	23,764	23,764
Pension paid	8,711	(8,711)	—
Balance on December 31, 2020	$ (285,232)	$ 139,380	$ (145,852)

The Company 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%	0.30%
Expected salary increase rate	2.00%	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	$ (1,869)	$ 1,944
Future salary increase rate	$ 1,914	$ (1,850)

December 31, 2020	Increase by 0.25%	Decrease by 0.25%
Discount rate	$ (7,547)	$ 7,837
Future salary increase rate	$ 7,685	$ (7,441)

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	$ 4,067	$ 12,468

Average maturity period of defined benefit obligation	11 years	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		

Sub-subsidiary's 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 operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Total
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:

	December 31, 2021		
Subsidiary	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 income (loss) for the period (NTD thousand)	$ (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 income (loss) for the period (NTD thousand)	$ (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 Company 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	$ 1,190,691	$ 5,399,165

1. Please refer to Note 4(13) for the description of the Company's income.

2. Contract balance

	December 31, 2021	December 31, 2020
Notes and accounts receivable (Notes 6(5) and 7)	$ 274,431	$ 1,609,643
Contract liabilities - current		
Sale of goods	$ 22,930	$ 32,320

The amounts of operating income recognized in 2021 and 2020 from contract liabilities at the beginning of the period were NT$24,592 thousand and NT$10,601 thousand.

3. Refund liability

As of December 31, 2021 and 2020, the Company's balances of refund liabilities were NT$13,871 thousand and NT$226,786 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	$ 204	$ 434

Other interest	2,477	442
Total	$ 2,681	$ 876

(XXIII) Other income

	2021	2020
Dividend income	$ 6,324	$ 6,324
Others	13,870	6,670
Total	$ 20,194	$ 12,994

(XXIV) Other gains and losses

	2021	2020
Loss (gain) on disposal of property, plant and equipment	$ 1,208	$ (40)
Lease modification gain	31	—
Loss of foreign exchange	(31,912)	(64,497)
Gain on financial assets at FVTPL	100	1,290
Impairment loss on property, plant and equipment	(331,032)	—
Miscellaneous expenses	(65,341)	(3,144)
Total	$ (426,946)	$ (66,391)

(XXV) Financial costs

	2021	2020
Interest expense		
Bank borrowings	$ 63,792	$ 63,834
Lease liabilities	103	177
Loans from related party	256	—

Less: Capitalized amount of qualifying assets	(578)	—
Total	$ 63,573	$ 64,011

(XXVI) Income tax

1. The adjustment to the Company'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) (20%)	$ (468,601)	$ 25,086
Effect of income tax on items excluded as per tax law	145,476	(1,146)
Effect of income tax on loss carryforwards	365,819	—
Effect of temporary differences in this period	(35,734)	(9,989)
Income tax expense	$ 6,960	$ 13,951

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

	2021	2020
Current income tax		
Generated in this period	$ —	$ —
Deferred tax		
Occurrence and reversal of temporary differences	6,960	13,951
Income tax expense recognized in profit or loss	$ 6,960	$ 13,951

2. Current income tax assets

	December 31, 2021	December 31, 2020
Tax refund receivable	$ 175	$ 161

3. Deferred tax assets

The analysis of deferred tax assets is as follows:

	2021		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	$ 1,454	$ (141)	$ 1,313
Unrealized inventory valuation losses	812	51,686	52,498
Pension withdrawal in excess of contribution	32,258	(13,800)	18,458
Amount in excess of allowance for bad debts	8,809	(2,619)	6,190
Estimated product warranty expense	7,764	(1,519)	6,245
Bonus for not on leave	4,581	(2,266)	2,315
Year-end bonus unpaid	—	1,620	1,620
Unrealized sales discount	—	2,774	2,774
Others	480	—	480
Loss carryforwards	42,695	(42,695)	—
	$ 98,853	$ (6,960)	$ 91,893

	2020		
	Opening balance	Recognized in profit or loss	Ending balance
Temporary difference			
Unrealized exchange loss	$ 2,084	$ (630)	$ 1,454
Unrealized inventory valuation losses	3,139	(2,327)	812
Pension withdrawal in excess of contribution	35,979	(3,721)	32,258
Amount in excess of allowance for bad debts	10,279	(1,470)	8,809
Estimated product warranty expense	5,748	2,016	7,764
Bonus for not on leave	4,339	242	4,581
Others	480	—	480
Loss carryforwards	50,756	(8,061)	42,695
	$ 112,804	$ (13,951)	$ 98,853

4. Items not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Loss carryforwards	$ 2,587,187	$ 979,483
Temporary difference	$ 1,184,849	$ 563,974

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

5. The Company's profit-seeking enterprise income tax returns up to 2019 have been approved by the tax authority. In accordance with the Income Tax Act, the losses from the previous ten years as approved by the tax authority may be deducted from the current year's net income, for which an income tax will then be levied. The losses carryforwards have not been used by the Company and the last valid year as of December 31, 2021 are as follows:

Year	Amount filed/approved	Last valid year	Loss carryforwards
2017	Approved amount	2027	$ 147,508
2018	Approved amount	2028	378,220
2019	Approved amount	2029	469,305
2021	Estimated amount	2031	1,592,154
			$ 2,587,187

(XXVII) Additional information on the nature of expenses

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	$ 117,250	$ 405,160
Post-employment benefits	—	202,985	202,985
Labor and health	39,886	14,378	54,264

insurance			
Pension	17,659	(47,016)	(29,357)
Remuneration to directors	—	3,940	3,940
Other employee benefits	25,604	2,294	27,898
Depreciation expense	338,469	69,053	407,522
Amortization expense	45,023	12,304	57,327

By function / By nature	2020		
	Operating costs	Operating expenses	Total
Employee benefits			
Salary and wages	$ 581,616	$ 154,175	$ 735,791
Labor and health insurance	55,445	14,056	69,501
Pension	23,242	7,165	30,407
Remuneration to directors	—	3,905	3,905
Other employee benefits	28,480	3,654	32,134
Depreciation expense	347,162	74,205	421,367
Amortization expense	65,240	17,080	82,320

(1) The average number of the Company’s employees in 2021 and 2020 was 758 and 1,158, respectively, of which the number of directors who were serving as employees concurrently was 8.

(2) The Company's average employee benefit expenses in 2021 and 2020 were NT$881 thousand and NT$755 thousand, respectively, and the average employee salary expenses were NT$540 thousand and NT$640 thousand, respectively. The adjustment to and changes in the average employee salary expenses are (16) %.

(3) In 2021 and 2020, the Company adopted the Audit Committee to replace the supervisors, so there was no supervisors’ remuneration.

(4) The Company’s salary and remuneration policy is as follows:

A. The overall salary and remuneration of employees is determined based on the consideration for external competitiveness and internal fairness, to effectively attract and retain talents.

B. Employees' salaries and remuneration are connected with the performance management system, to motivate employees and facilitate the Company's positive development.

C. The Company's long-term and short-term goals are connected with the time contributed by the individuals, the position held, and the overall work performance to motivate employees.

D. A remuneration committee is established to effectively measure directors' and managers' remuneration.

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	$ 357,220
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	$ 280,812

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	$ 926,441	$ 4,102,864	$ 2,659	$ 9,495	$ 5,041,459
Changes in financing cash flow	122,166	13,755	(952)	(5,118)	129,851
Other non-cash changes	—	—	—	(409)	(409)
December 31, 2021	$ 1,048,607	$ 4,116,619	$ 1,707	$ 3,968	$ 5,170,901

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
January 1, 2020	$ 467,933	$ 4,175,728	$ 2,657	$ 17,930	$ 4,664,248
Changes in financing cash flow	458,508	(72,864)	2	(7,828)	377,818
Other non-cash changes	—	—	—	(607)	(607)
December 31, 2020	$ 926,441	$ 4,102,864	$ 2,659	$ 9,495	$ 5,041,459

(XXIX) Capital management

The Company manages its capital to ensure that the Company 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 Company may adjust dividend distribution, return capital to shareholders, issue new shares, or dispose of assets to reduce debts. The Company 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 standalone balance sheet), less cash and cash equivalents. Total capital is the "equity" stated on the standalone balance sheet plus net debt. The Company's debt-to-equity ratios as of December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 5,165,226	$ 5,029,305
Less: Cash and cash equivalents	(591,340)	(774,103)
Net debt	4,573,886	4,255,202
Total equity	5,308,025	7,543,425
Total capital	$ 9,881,911	$ 11,798,627
Debt-to-equity	46%	36%

(XXX) Financial instruments

1. Types of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Cash and cash equivalents	$ 591,340	$ 774,103
Financial assets at fair value through profit or loss - current	—	45,038
Financial assets at amortized cost - current	844	1,156
Notes receivable	2,583	2,441
Accounts receivable	271,848	1,607,202
Other receivables	150,792	1,856
Financial assets at fair value through other comprehensive income - non-current	—	391,450
Guarantee deposits paid	44,750	12,965
Financial liabilities		
Short-term borrowings	1,048,607	926,441
Accounts payable	55,934	293,711
Other payables	259,057	540,604
Long-term borrowings (including the current portion)	4,116,619	4,102,864
Guarantee deposits received	1,707	2,659

2. Financial risk management policy

The Company's financial risks mainly arise from investments in financial products. The Company 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 Company 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) used by the Company. The exchange rate risk arises from future business transactions and assets and liabilities recognized.

A. The Company's business involves a number of non-functional currencies. 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

(foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on equity
Financial assets						
Monetary item						
USD: NTD	$ 21,979	27.66	$ 607,919	1%	$ 6,079	$ 4,863
Non-monetary item						
USD: NTD	109	27.69	3,020			
Financial liabilities						
Monetary item						
USD: NTD	4,675	27.69	129,443	1%	1,294	1,036
Non-monetary item						
USD: NTD	2,085	27.36	57,305			

December 31, 2020

(foreign currency: functional currency)	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on equity
Financial assets						

(foreign currency: functional currency)	December 31, 2020					
	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Degree of change	Effect on profit or loss	Effect on equity
Monetary item						
USD: NTD	$ 54,689	28.48	$ 1,557,543	1%	$ 15,575	$ 12,460
Non-monetary item						
USD: NTD	47,108	28.48	1,341,636			
Financial liabilities						
Monetary item						
USD: NTD	29,015	28.48	826,347	1%	8,263	6,610

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 Company's monetary items were NT$31,912 thousand and NT$64,497 thousand, respectively.

(2) Price risk

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

B. The Company 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 Company’s interest rate risk mainly arises from long-term borrowings. Loans taken out at floating interest rates expose the Company 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 Company to interest rate risk arising from fair value. In 2021 and 2020, the Company'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$52,771 thousand and NT$41,029 thousand, respectively.

4. Credit risk management

The credit risk of the Company is the risk of financial loss suffered by the Company 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 Company 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 Company 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 Company and is compiled by the Company's finance department. The Company's finance department monitors the forecast of the Company'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 Company's money market positions were in the amounts of NT$591,140 thousand and NT$773,903 thousand, respectively, and financial assets measured by amortized cost - current were NT$844 thousand and NT$1,156 thousand, respectively, expected to generate cash flows immediately to manage liquidity risk.

(3) The details of the Company'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 Company'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	$ 1,050,531	$ –	$ –	$ –	$ 1,050,531
Accounts payable	55,934	–	–	–	55,934
Other payables	259,057	–	–	–	259,057
Lease liabilities	2,010	1,949	91	–	4,050

Long-term borrowings (including the current portion)	308,817	836,596	684,099	2,647,288	4,476,800
Total	$ 1,676,349	$ 838,545	$ 684,190	$ 2,647,288	$ 5,846,372

	December 31, 2020		
	Less than 1 year	1 year or more	Total
Non-derivative financial liabilities			
Short-term borrowings	$ 928,454	$ —	$ 928,454
Accounts payable	293,711	—	293,711
Other payables	540,604	—	540,604
Lease liabilities (including non-current)	6,522	3,135	9,657
Long-term borrowings (including the current portion)	346,132	4,124,394	4,470,526
Total	$ 2,115,423	$ 4,127,529	$ 6,242,952

(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, 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 Company based on the nature, characteristics, risks, and fair value levels of the assets. The relevant information is as follows:

	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
Total	$ 45,038	$ –	$ 391,450	$ 436,488

4. Valuation technique and assumptions for fair value

(1) For the fair values of instruments valuated by the Company 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 standalone balance sheet date (e.g. the yield curve published by Taipei Exchange and the average quoted price of Reuters commercial paper benchmark).

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 other comprehensive income	Disposed of in this period	Ending balance
Financial assets at FVTOCI	$ 391,450	$ —	$ 97,993	$ (489,443)	$ —

	From January 1, 2020 to December 31, 2020				
	Opening balance	Acquired in this period	Recognized in other comprehensive income	Disposed of in this period	Ending balance
Financial assets at FVTOCI	$ 267,077	$ —	$ 124,373	$ —	$ 391,450

7. Quantitative information on fair value of significant unobservable

inputs (Level 3)

The fair value of the Company’s financial assets at FVTOCI - equity securities investment 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 equity instruments without active markets	Comparable listed company method	Price-earnings ratio, price-book ratio, and enterprise value/earnings before interest and taxes	The higher the ratio and controlling interests, the higher the fair value; the higher the discount due to lack of market liquidity, the lower the fair value

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 Company 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

(I) Names of related parties and relations

Name of related party	Relationship with the Company
Federex Marketing Co., Ltd. (Federex)	Subsidiary
Taixin Construction Co., Ltd. (Taixin)	Subsidiary
Taicheng Development Co., Ltd. (Taicheng)	Subsidiary
Federal International Holding.Inc.(FIH)	Sub-subsidiary
Federal Tire North America LLC. (FTNA)	Sub-subsidiary
Amberg Investments Pte.Ltd.(Amberg)	Sub-subsidiary
Federal Tire (Jiangxi) Co., Ltd. (Federal Tire (Jiangxi))	Sub-subsidiary
Nankang Rubber Tire Corp., Ltd. (Nankang Rubber Tire)	Investor with material influence

(II) Significant transactions with related parties

1. Net sales

Name of related party	2021	2020
Federex Marketing Co., Ltd.	$ 129,992	$ 122,948
FTNA	27,140	1,250,934
Total	$ 157,132	$ 1,373,882

The price of the Group's sales to related parties is not significantly different from that of regular distributors, except that discounts are offered to related parties based on the sales volume and types. The credit period for related parties is net 120 to 180 days at the end of the month, while net 90 to 180 days at the end of the month for regular clients.

2. Net purchase

Name of related party	2021	2020
Federex Marketing Co., Ltd.	$ 4,879	$ 4,246

Purchases from the above related parties are handled in accordance with general purchase conditions.

3. Manufacturing overhead - after-sales service warranty expense

Name of related party	2021	2020
Federex Marketing Co., Ltd.	$ 140	$ 438

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

Name of related party	2021	2020
Nankang Rubber Tire	$ 3,109	$ —

5. Operating expenses - service expenses

Name of related party	2021	2020
FTNA	$ 6,880	$ —

6. Operating expenses - pension subsidy

Related party category	2021	2020
Subsidiary	$ —	$ 1,128

The retired employees at a subsidiary once worked at the Company and received pension subsidies from the Company when they retired.

7. Operating expenses - commissions

Name of related party	2021	2020
Federex Marketing Co., Ltd.	$ 6,317	$ 6,390

The commissions were paid to the subsidiary for domestic sales for the Company.

8. Other income - income from management consulting services

Name of related party	2021	2020
Federex Marketing Co., Ltd.	$ 114	$ 644

The income was received from the support of a subsidiary's information system software and computer maintenance service.

9. Accounts receivable

Name of related party	December 31, 2021	December 31, 2020
FTNA	$ 10,810	$ 603,178
Federex Marketing Co., Ltd.	14,701	43,792
Total	$ 25,511	$ 646,970

10. Other receivables

(1) Loan to Others

Name of related party	December 31, 2021			
	Amount drawn	Interest rate range	Interest income	Interest receivable at the end of the period
FTNA	$ 134,514	1.88%	$ 1,414	$ 1,414

(2) Others

Name of related party	December 31, 2021	December 31, 2020
Federex Marketing Co., Ltd.	$ 10	$ 20
Nankang Rubber Tire	3,265	—
Total	$ 3,275	$ 20

11. Accounts payable

Name of related party	December 31, 2021	December 31, 2020
Federex Marketing Co., Ltd.	$ 139	$ 67

12. Other payables

(1) Financing

Name of related party	December 31, 2021			
	Amount drawn	Interest rate range	Interest expense	Interest payable at the end of the period
FIH	$ 69,225	0.84%	$ 183	$ 183
Amberg	27,690	0.84%	73	73
Total	$ 96,915		$ 256	$ 256

(2) Business facilities payable

Name of related party	December 31, 2021	December 31, 2020
(Federal Tire (Jiangxi))	$ 11,093	$ 11,973

(3) Others

Name of related party	December 31, 2021	December 31, 2020

Federex Marketing Co., Ltd.	$ 533	$ —

13. Lease agreements

(1) Guarantee deposits paid

Name of related party	December 31, 2021	December 31, 2020
Taixin	$ 1,414	$ 1,414
Taicheng	5,659	5,659
Total	$ 7,073	$ 7,073

(2) Operating expenses - rent

Name of related party	2021	2020
Taixin	$ 33,941	$ 16,971

(3) Manufacturing overhead - rent

Name of related party	2021	2020
Taicheng	$ 32,385	$ 42,559

(III) Remuneration for key management personnel

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

	December 31, 2021	December 31, 2020
Salary and other short-term benefits	$ 12,554	$ 15,453
Post-retirement benefits	165	207
Total	$ 12,719	$ 15,660

VIII. Assets pledged

Item	Content	Carrying amount	
		December 31, 2021	December 31, 2020

Financial assets at amortized cost - current	Bank time deposit - export guarantee	$ 844	$ 861
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, and customs deposit	44,750	12,965
Total		$ 5,047,426	$ 4,547,236

IX. Material contingent liabilities and unrecognized contractual commitments

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

(I) As of December 31, 2021 and 2020, the Company 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$336,288 thousand, respectively

(II) The Company 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 Company, so they filed a lawsuit against the Company for compensation. The Company 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 Company. If there is any additional impact caused by this case in the future, the Company will evaluate and account for it as per accounting principles and disclose it in the financial report.

(III) 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 Company. If there is any additional impact caused by this case in the future, the Company 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 Company); the implementation of this tax rate has prompted the overall decline in orders received by the Company in the U.S, the major market of the Company, which has caused an impact on its operation. The Company 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 Company in the U.S, the major market of the Company, which has caused an impact on its operation. To survive the current situation, pursue the sustainable development, and seek the best interests of the Company 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 Company 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 Company for 2021 was NT$202,985 thousand.

2. Orders from non-U.S. markets are accepted and shipped by the Guanyin Plant to maintain the client base and the Company'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 Company various production equipment was impaired. Please refer to Note 6(9).

XIII. <u>Additional disclosures</u>

(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:

1. Names, Locations, and Other Information on Investees: Table 5.
2. Loan to Others: Table 1.
3. Endorsements/Guarantees Provided to Others: None.
4. Securities Held at the End of the Period: None.
5. Securities Acquired or Sold at Costs or Prices at Least NT$300 million or 20% of the Paid-in Capital: None.
6. Acquisition of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
7. Disposal of Individual Property at Costs of at Least NT$300 million or 20% of the Paid-in Capital: None.
8. Total Purchases from or Sales to Related Parties Amounting to at

Least NT$100 million or 20% of the Paid-in Capital: Table 2.

9. Receivables from Related Parties Amounting to at Least NT$100 million or 20% of the Paid-in Capital: None.

10. Trading in Derivative Instruments: None.

(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

Please refer to the 2021 Consolidated Financial Report.

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

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

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

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

Company with accounts receivable	Transaction counterparty	Relationship	Balance of receivables from related parties (Note1)	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 to December 31, 2021

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note2)	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

For the Year Ended December 31, 2020

Unit: NTD thousand

No. (Note1)	Company	Transaction counterparty	Relations with transaction counterparty (Note2)	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	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	Note1	$ 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

Major shareholders \ Shares	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.

Federal Corporation
Table of Contents of Statements of Important Accounting Titles
2021

(Unit: In NTD thousands, unless stated otherwise)

Statement of cash and cash equivalents

December 31, 2021

Statement 1

Item	Summary		Amount
Cash on hand and petty cash			$ 200
Bank deposits			
Checking deposit			12
Demand deposit			36,389
Foreign-currency demand deposit	USD	2,308,351.02	63,918
	EUR	27,178.23	852
Cash equivalents			
Foreign-currency time deposit	USD	4,500,150	124,609
Notes under repurchase agreement			365,360
Total			$ 591,340

Exchange rate: USD 27.69

EUR 31.325

Statement of accounts receivable

December 31, 2021

Statement 2

Client	Summary	Amount	Remark
Non-related party:			
Company A		$ 49,166	
Company B		45,908	
Company C		33,345	
Company D		28,571	
Company E		18,947	
Others	(Each with an amount accounting for less than 5%)	104,434	
Total		280,371	
Less: Allowance for losses		(34,034)	
Net amount		246,337	
Related party:			
Federal Tire North America LLC.		10,810	
Federex Marketing Co., Ltd.		14,701	
Total		25,511	
Less: Allowance for losses		—	
Net amount		$ 25,511	

<u>Statement of other receivables</u>

December 31, 2021

Statement 3

Item	Summary	Amount
Non-related party:		
Business tax refundable		$ 10,297
Interest receivable		46
Other receivables - others		1,246
Subtotal		11,589
Related party:		
Federal Tire North America LLC.		135,928
Federex Marketing Co., Ltd.		10
Nankang Rubber Tire Corp., Ltd.		3,265
Subtotal		139,203
Total		$ 150,792

Statement of inventories

December 31, 2021

Statement 4

Item	Summary	Amount		Remark
		Cost	Net realizable value	
Finished goods		$ 483,361	$ 254,602	
Work in progress		39,537	39,537	
Raw materials		176,328	174,245	
Supplies		80,878	78,453	
Merchandise inventories		1,678	1,589	
Subtotal		781,782	$ 548,426	
Allowance for valuation loss		(262,488)		
Total		$ 519,294		

<u>Statement of prepayments</u>

December 31, 2021

Statement 5

Item	Summary	Amount
Prepayment for insurance	Liability insurance of TransGlobe Life Insurance Inc.	$ 8,810
Prepayment for machine and equipment relocation		25,031
Other prepayments	Others	19,509
Input tax		10,195
Tax credit		17,769
Total		$ 81,314

Statement of changes in investment under equity method

From January 1 to December 31, 2021

Statement 6

Name	Opening balance		Increase (decrease) in this period		Investment income or loss recognized using the equity method	Cash dividends	Exchange loss recognized using the equity method	Others	Ending balance			Market price or net equity		Collateral or pledge	Remark
	Number	Amount	Number	Amount					Number	Percentage of Shares Held	Amount	Unit price (NTD)	Total price		
Federex Marketing Co., Ltd.	19,000,000	$ 213,315	–	$ –	$ 9,049	$ –	$ –	$ (203)	19,000,000	100%	$ 222,161	–	$ 222,161	N/A	Note1
Taixin Construction Co., Ltd.	33,000,000	429,966	–	–	3,584	–	–	–	33,000,000	100%	433,550	–	433,550	〃	
Taicheng Development Co., Ltd.	16,000,000	1,630,242	(1,000,000)	(173,058)	9,900	(17,149)	–	–	15,000,000	100%	1,449,935	–	1,449,935	〃	Note 2
Federal International Holding. Inc.	65,331,062	1,333,805	–	–	(227,287)	–	(11,970)	–	65,331,062	100%	1,094,548	–	1,094,548	〃	
Rongcheng Development Co., Ltd.	–	–	1,000,000	173,058	(49)	–	–	–	1,000,000	100%	173,009	–	173,009	〃	Note 2
Less: The Company's stocks held by subsidiaries, regarded as treasury shares	–	(183,035)	–	–	–	–	–	–	–	–	(183,035)	–	(183,035)		
Less: Reclassified to non-current assets held for sales	–	(429,966)	–	429,966	–	–	–	–	–	–	–	–	–		
Total		$ 2,994,327		$ 429,966	$ (204,803)	$ (17,149)	$ (11,970)	$ (203)			$ 3,190,168		$ 3,190,168		

Note 1: Others are remeasurement of defined benefit plans of subsidiaries recognized using the equity method in the amount of NT$203 thousand.

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.

Statement of changes in right-of-use assets

From January 1 to December 31, 2021

Statement 7

Item	Opening balance	Addition	Disposal	Reclassification	Ending balance
Cost:					
Buildings	$ 10,544	$ —	$ (10,544)	$ —	$ —
Transportation equipment	15,474	1,238	(8,818)	—	7,894
Subtotal	26,018	1,238	(19,362)	—	7,894
Accumulated depreciation:					
Buildings	7,616	1,708	(9,324)	—	—
Transportation equipment	9,006	3,382	(8,422)	—	3,966
Subtotal	16,622	5,090	(17,746)	—	3,966
Net amount	$ 9,396	$ (3,852)	$ (1,616)	$ —	$ 3,928

Statement of short-term borrowings

December 31, 2021

Statement 8

Type of borrowings	Creditor	Ending balance	Repayment deadline for the amount drawn	Interest rate range	Financing facility	Mortgage or collateral	Remark
Unsecured borrowings	Land Bank of Taiwan	$ 200,000	2022.1.11～2022.2.22	1.16%	$ 300,000		
〃	Chang Hwa Bank	150,000	2022.3.16	1.35%	350,000		
〃	Chang Hwa Bank	50,000	2022.4.6	1.35%	50,000		
〃	First Commercial Bank	100,000	2022.3.29	1.05%	100,000		
〃	Taiwan Business Bank	150,000	2022.3.9	1.18%	400,000		
〃	Hua Nan Commercial Bank	150,000	2022.3.23	1.05%	350,000		
〃	The Export-Import Bank of the Republic of China	80,000	2022.1.2～2022.1.5	0.7838%	80,000		
〃	Taiwan Cooperative Bank	150,000	2022.2.1	1.3%	150,000		
Borrowings for purchases of materials	Land Bank of Taiwan	1,587	2022.1.14	0.8911%	300,000		
〃	Taiwan Business Bank	13,706	2022.1.4～2022.5.9	0.6141%～0.7094%	150,000		
〃	Hua Nan Commercial Bank	3,324	2022.1.5～2022.2.25	0.8047%～0.9105%	150,000		
	Total	$ 1,048,607					

<u>Statement of accounts payable</u>

December 31, 2021

Statement 9

Client	Summary	Amount	Remark
Related party:			
Federex Marketing Co., Ltd.		$ 139	
Non-related party:			
Company A		12,877	
Company B		9,783	
Company C		7,424	
Company D		3,657	
Company E		2,815	
Others	Payments to suppliers (Each with an amount accounting for less than 5%)	19,239	
Total		$ 55,934	

Statement of lease liabilities

December 31, 2021

Statement 10

Item	Lease term	Discount rate	Amount
Transportation equipment	3–5 years	1.54%～1.88%	$ 3,968
Less: Recognized as current			(1,958)
Lease liabilities - non-current			$ 2,010

Statement of other current liabilities

December 31, 2021

Statement 11

Item	Summary	Amount
Temporary credits		$ 21,934
Receipts under custody		2,314
Total		$ 24,248

Statement of long-term borrowings

December 31, 2021

Statement 12

Creditor	Amount of borrowings	Contract period	Interest rate	Mortgage or collateral	Remark
Hua Nan Commercial Bank					
Medium- and long-term secured borrowings	$ 3,250,000	The principal is amortized and repaid every 3 months from February 22, 2021, and the interest is accrued and paid on a monthly basis.	1.25%～1.29%	Property, plant and equipment	
Plant mortgage loan	62,748	The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis.	1.05%	〃	
Secured loan for machinery and equipment	221,184	The principal will be amortized and repaid every month from June 15, 2023, and the interest is paid on a monthly basis.	1.05%	〃	
Bank SinoPac					
Long-term secured borrowings	199,976	The first installment of NT$6,024 thousand was repaid for the principal on November 4, 2021, and the remaining principal is amortized and repaid every 3 months, with the repayment of principal of NT$14,285 thousand per installment, and the interest is paid monthly.	1.4429%	〃	
Taiwan Shin Kong Commercial Bank					
Medium-term secured borrowings	121,600	The principal is amortized and repaid every 3 months from October 23, 2018, and the interest is paid on a monthly basis.	1.5226%	〃	
Chang Hwa Bank					
Medium-term secured borrowings	261,111	The principal is amortized and repaid every month from November 9, 2018, and the interest is paid on a monthly basis.	1.4%	〃	
Subtotal	4,116,619				
Less: Long-term borrowings - current portion	(306,550)				
Total	$ 3,810,069				

Statement of operating income

From January 1 to December 31, 2021

Statement 13

Item	Summary	Amount	Remark
Revenue from sale of goods	Outer cover tire	$ 1,190,163	
	Inner tire	375	
	Chafing strip	109	
	Tire wheel	44	
Total		$ 1,190,691	

<u>Statement of operating cost</u>

From January 1 to December 31, 2021

Statement 14

Item	Amount	Remark
Goods at the beginning of the period	$ 2,073	
Add: Net purchases in this period	10,409	
Less: Goods at the end of the period	(1,678)	
Cost of sales and purchases	10,804	
Direct consumption of raw materials		
Raw materials at the beginning of the period	168,853	
Add: Net purchases in this period	625,706	
Less: Inventory at the end of the period	(176,328)	
Raw materials sold	(4,435)	
Scrapped	(228)	
Inventory loss	(109)	
Reclassified to expenses	(2,171)	
	611,288	
Indirect consumption of raw materials		
Raw materials at the beginning of the period	79,103	
Add: Net purchases in this period	28,041	
Work in progress transferred in	8,276	
Inventory profit	1,439	
Less: Inventory at the end of the period	(80,878)	
Supplies sold	(1,019)	
Reclassified to expenses	(34,962)	
	—	
Direct labor	163,405	
Manufacturing overhead	425,341	
Manufacturing cost	1,200,034	
Add: Work in process at the beginning of the period	93,885	
Purchase in this period	1,148	
Inventory profit	29	
Less: Work in progress at the end of the period	(39,537)	
Reclassified to supplies	(8,276)	
Work in progress sold	(10,224)	
Scrapped	(57)	
Reclassified to expenses	(18,371)	
Cost of finished goods	1,218,631	
Add: Finished goods at the beginning of the period	249,258	
Right to products returned by customers at the beginning of the period	172,472	
Less: Finished goods at the end of the period	(483,361)	
Scrapped	(666)	
Inventory loss	(1,961)	
Reclassified to expenses	(1,529)	
Cost of sales of self-made goods	1,152,844	
Income from sales of tailings	(1,482)	
Inventory valuation losses	258,428	
Unallocated fixed overhead	461,927	
Others	12,971	
Operating cost	$ 1,895,492	

Statement of operating expenses

From January 1 to December 31, 2021

Statement 15

Item	Summary	Marketing expense	Management expense	R&D expense	Expected credit impairment loss	Remark
Salary and wages		$ 44,652	$ 193,052	$ 39,455	$ —	
Rental expenses		58	34,671	272	—	
Freight		117,281	—	—	—	
Insurance		24,555	6,523	4,316	—	
Depreciation		30,427	14,404	24,222	—	
Export costs		158,654	—	—	—	
Service expenses		25,424	53,481	345	—	
Expected credit impairment gain	Accounts receivable	—	—	—	(4,832)	
Other expenses	(Each with an amount accounting for less than 5%)	59,653	80,932	58,211	—	
Total		$ 460,704	$ 383,063	$ 126,821	$ (4,832)	